



June 2016

# DEFENSE HEADQUARTERS

## Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function

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### Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function

#### Why GAO Did This Study

Facing budget pressures, DOD is seeking to reduce its headquarters activities by identifying streamlining opportunities. DOD has multiple layers of headquarters activities with complex, overlapping relationships, such as OSD, the Joint Staff, the military service secretariats and staffs, and defense agencies.

Committee reports accompanying bills for the National Defense Authorization Act for Fiscal Year 2015 included provisions for GAO to identify DOD's headquarters reduction efforts to date and patterns in functional areas related to DOD's headquarters activities. This report (1) describes the status of DOD's initiatives since 2014 to improve the efficiency of headquarters organizations and identify related cost savings, and (2) assesses the extent to which DOD has reliable data to assess headquarters functions and their associated costs.

GAO assessed DOD-wide headquarters-related efficiency efforts, and a DOD-wide data set that identifies positions with headquarters functions.

#### What GAO Recommends

To further DOD's efforts to identify headquarters-related efficiency opportunities, GAO recommends that DOD align its data on positions that have headquarters-related DOD function codes with the revised definition of major DOD headquarters activities and collect information on costs associated with functions within headquarters organizations. DOD concurred with the recommendations.

View GAO-16-286. For more information, contact John H. Pendleton at (202) 512-3489 or [pendletonj@gao.gov](mailto:pendletonj@gao.gov).

#### What GAO Found

Since 2014, and in part to respond to congressional direction, the Department of Defense (DOD) has undertaken initiatives intended to improve the efficiency of headquarters organizations and identify related cost savings, but it is unclear to what extent these initiatives will help the department achieve the potential savings it has identified. In a 2015 review of its six business processes, DOD identified \$62 billion to \$84 billion in potential cumulative savings opportunities for fiscal years 2016 through 2020. According to DOD officials, the department is currently pursuing four headquarters-related initiatives, but these were not completed, or results were not available, in time for GAO to assess their effect. The table below provides a description of these initiatives.

Department of Defense (DOD) Headquarters-Related Efficiency Initiatives since 2014	
Initiative	Description
Business Process and System Reviews	These reviews of selected Office of the Secretary of Defense (OSD)-related organizations are intended to assess business processes and supporting systems. As of April 2016, DOD had completed five of nine planned reviews. Some organizations have begun implementing efficiency opportunities identified by these reviews.
OSD Organizational Delayering Initiative	This review of OSD-related organizations is intended to reduce layers of management and staff. As of March 2016, DOD stated that it would issue a report at an unspecified time that includes the cost savings identified by this initiative.
Services Requirements Review Board	This review of organizations outside the military departments is intended to assess whether valid requirements remain for contracted services and whether opportunities exist to better employ the funds. DOD did not specify when it would issue a report that includes the cost savings identified by this initiative.
Review of the Organization and Responsibilities of DOD	This department-wide review is intended to recommend changes to organizational relationships and authorities. The results were not available at the time of GAO's review. DOD officials stated that a report on the results of this review may be issued later in 2016.

Source: GAO analysis of DOD information. | GAO-16-286

DOD has taken steps to improve some available data on headquarters organizations, but does not have reliable data for assessing headquarters functions and associated costs. Consistent with a GAO recommendation, DOD has established a framework for major DOD headquarters activities, is working to identify which organizations or portions of organizations meet a new definition of major DOD headquarters activities, and plans to update a key database to improve visibility of headquarters resources. However, the one department-wide data set that identifies military and civilian positions by specific DOD headquarters functions contains unreliable data because DOD has not aligned these data with its revised headquarters definition. Further, DOD does not have plans to collect information on costs associated with functions within headquarters organizations. This may hinder DOD's ability to conduct an in-depth review for purposes of consolidating and streamlining headquarters functions. Without alignment of headquarters function data with the revised headquarters definition and collection of reliable information on costs associated with headquarters functions, DOD may be unable to accurately assess specific functional areas or identify potential streamlining and cost savings opportunities.

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# Contents

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Letter		1
	Background	8
	Department-Wide Efficiency Initiatives That Include Headquarters Are Under Way	11
	DOD Does Not Have Reliable Data on Headquarters Functions and Costs, Which Hinders Assessment	17
	Conclusions	25
	Recommendations for Executive Action	26
	Agency Comments and Our Evaluation	26
Appendix I	Prior GAO Work on Accounting for Resources Devoted to Department of Defense Headquarters	29
Appendix II	Descriptions of Headquarters-Related Department of Defense Function Codes	36
Appendix III	Objectives, Scope, and Methodology	44
Appendix IV	Department of Defense Headquarters-Related Reduction Efforts to Realize Cost Savings Since 2010	51
Appendix V	Percentages of Department of Defense Headquarters Functions for Fiscal Year 2014	53
Appendix VI	Comments from the Department of Defense	56
Appendix VII	GAO Contact and Staff Acknowledgments	58

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## Tables

Table 1: Description of Department of Defense Headquarters Functions	36
Table 2: Percentage of Service Headquarters Positions by Headquarters Function for Fiscal Year 2014	53
Table 3: Percentage of Fourth Estate Headquarters Positions by Headquarters Function for Fiscal Year 2014	54

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## Abbreviations

BPSR	Business Process and Systems Review
DOD	Department of Defense
FYDP	Future Years Defense Program
IGCA	Inherently Governmental / Commercial Activities
ODCMO	Office of the Deputy Chief Management Officer
OSD	Office of the Secretary of Defense

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

June 30, 2016

The Honorable John McCain  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Mac Thornberry  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

Like the rest of the federal government, the Department of Defense (DOD) is operating in a constrained budget environment and is facing difficult decisions about how to allocate its resources to meet its broad and varying mission requirements across the world. In 2010, the Secretary of Defense announced a department-wide efficiency initiative to reduce overhead costs and reinvest the savings in sustaining DOD's current force structure<sup>1</sup> and modernizing its weapons portfolio. Since then, the department has pursued reductions in the size of staff within headquarters activities. DOD has multiple layers of headquarters activities with complex, overlapping relationships among them. Such layers include the Office of the Secretary of Defense (OSD), the Joint Staff, and the military services' secretariats and staffs. These headquarters activities across the department have responsibilities that include developing guidance, reviewing performance, allocating resources, and conducting mid- to long-range budgeting as they oversee, direct, and control subordinate organizations or units.

The congressional defense committees have recognized DOD's efforts to identify and implement headquarters-related efficiencies. In doing so, the defense committees have also raised questions about whether the

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<sup>1</sup>Force structure is the number, size, and composition of units that comprise U.S. defense forces (e.g., divisions, brigades, ships, air wings, and squadrons).

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department implements these efficiencies based on assessments of functions,<sup>2</sup> which they believe could result in identification of greater cost savings, and about DOD's poor visibility into resources being devoted across organizations to similar functions and missions.<sup>3</sup> The National Defense Authorization Act for Fiscal Year 2016 directs the Secretary of Defense to conduct a comprehensive review of DOD headquarters, among other things, for purposes of consolidating and streamlining headquarters functions. The department's functional review is to address the extent to which certain groupings of DOD headquarters organizations—such as OSD, the military departments, the defense agencies, and other organizations—have duplicative staff functions and services and could therefore be consolidated, eliminated, or otherwise streamlined.<sup>4</sup> In addition, the act also directs the Secretary of Defense to modify the headquarters reduction plan required by section 904 of the National Defense Authorization Act for Fiscal Year 2014 to ensure it achieves savings in the total funding available for major DOD headquarters activities by fiscal year 2020 that are not less than 25 percent of the baseline amount.<sup>5</sup> The act defines major DOD headquarters activities, which include organizations such as OSD; the

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<sup>2</sup>DOD defines function as the type of work performed in direct support of military and civil works missions, in fulfillment of defense-related U.S. international commitments, and in permanent service outside DOD at the White House, Congress, and federal and state agencies. Examples of functions include legal services, budget support, systems acquisition, and education and training. See Office of the Secretary of Defense, *2014 Inherently Governmental and Commercial Activities Data Call*, memorandum (Dec. 2, 2013).

<sup>3</sup>For example, the House Armed Services Committee expressed concern about DOD seeking to implement headquarters-related efficiencies and across-the-board personnel reductions without a comprehensive assessment of functional requirements and cost drivers, among other things. See H.R. Rep. No. 113-446, at 190 (2014). Similarly, the Senate Armed Services Committee stated that, to achieve significant savings, the Secretary of Defense must focus on consolidating and eliminating organizations and personnel that perform similar functions and missions. See S. Rep. No. 113-176, at 157 (2014).

<sup>4</sup>See Pub. L. No. 114-92, § 346(c) (2015).

<sup>5</sup>According to Pub. L. No. 114-92 § 346(b)(2), the baseline amount is the amount authorized by the act for fiscal year 2016 for major DOD headquarters activities adjusted by a credit for reductions in such headquarters activities that are documented by February 25, 2016 as having been accomplished in earlier fiscal years as a result of DOD's 2013 memorandum on headquarters reductions. See Deputy Secretary of Defense, *20% Headquarters Reductions*, memorandum (July 31, 2013).

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Joint Staff; military service secretariats and staff; and headquarters elements of the combatant commands, defense agencies, and DOD field activities. Finally, the act allows documented savings achieved pursuant to the 25 percent headquarters reduction to be counted toward another of the act's requirements, namely, that the Secretary of Defense implement a plan to ensure the department achieves not less than \$10 billion in cost savings from the headquarters, administrative, and support activities of the department by fiscal year 2019.<sup>6</sup>

Accounting for the resources devoted to headquarters has been a long-standing challenge for DOD, as our body of work on these issues has shown. In October 1997, as part of our review on the mid-1990s military drawdown, we found that total personnel and costs of defense headquarters were significantly higher than were being reported. Specifically, we found that three-fourths of subordinate organizations excluded from management headquarters accounting were actually performing management or management support functions, and such accounting masked the true size of DOD's headquarters organizations.<sup>7</sup> We recommended that the Secretary of Defense revise DOD's guiding headquarters instruction—DOD Instruction 5100.73<sup>8</sup>—to expand its coverage to include personnel assigned to all noncombat organizations that are subordinate to DOD management headquarters. DOD partially concurred with this recommendation and revised its headquarters instruction in 1999, 2007, and again in 2012. However, our more recent work has found that DOD's challenges in identifying and tracking headquarters personnel and other resources devoted to headquarters have continued. For example, in March 2012, we found that DOD's headquarters instruction does not identify all current major DOD headquarters activity organizations or address the tracking of contractors that perform headquarters functions.<sup>9</sup> Accordingly, we recommended that

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<sup>6</sup>See Pub. L. No. 114-92, § 346(a) (2015).

<sup>7</sup>GAO, *Defense Headquarters: Total Personnel and Costs Are Significantly Higher Than Reported to Congress*, GAO/NSIAD-98-25 (Washington, D.C.: Oct. 30, 1997).

<sup>8</sup>Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007) (incorporating change 2, June 12, 2012) (hereinafter cited as DODI 5100.73 [Dec. 1, 2007]).

<sup>9</sup>GAO, *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, GAO-12-345 (Washington, D.C.: Mar. 21, 2012).

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the department update DOD Instruction 5100.73. DOD partially concurred with this recommendation. DOD stated that it has established a revised definition of major DOD headquarters activities in an August 2015 memorandum from the Deputy Secretary of Defense. However, DOD has not updated the instruction to include the organizations, or portions of organizations, that should be included in its count of headquarters activities in accordance with this definition. Further, DOD has not specified how contractors performing headquarters functions will be identified and included in headquarters reporting. Finally, in January 2015, we found that selected DOD headquarters organizations neither determined their personnel requirements as part of a systematic requirements-determination process, nor had procedures in place to ensure periodic reassessments of these requirements to help them proactively identify efficiencies and limit personnel growth.<sup>10</sup> We therefore recommended that DOD conduct a systematic determination of personnel requirements for these organizations; submit these personnel requirements, among other things, to Congress; and establish and implement procedures to conduct periodic assessments of these personnel requirements. DOD partially concurred with these recommendations but has not yet implemented them. See appendix I for a discussion of our prior work since 2012 on accounting for defense headquarters resources and on our related recommendations and their respective status.

House Report 113-446<sup>11</sup> and Senate Report 113-176<sup>12</sup> accompanying proposed bills for the National Defense Authorization Act for Fiscal Year 2015 include provisions that we identify DOD's headquarters reduction efforts to date and any trends in personnel and other resources being devoted to selected functional areas within and across related headquarters organizations. This report (1) describes the status of DOD's initiatives since 2014 to improve the efficiency of headquarters

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<sup>10</sup>GAO, *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats*, GAO-15-10 (Washington, D.C.: Jan. 21, 2015).

<sup>11</sup>H.R. Rep. No. 113-446, at 190-191 (2014) accompanying H.R. 4435, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015.

<sup>12</sup>S. Rep. No. 113-176, at 157 (2014) accompanying S. 2410, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015.

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organizations and identify related cost savings, and (2) assesses the extent to which DOD has reliable data to assess headquarters functions and their associated costs.

To describe the status of DOD's initiatives to improve the efficiency of headquarters organizations and identify related cost savings, we identified and reviewed DOD headquarters-related efficiency efforts begun since 2014.<sup>13</sup> We obtained documentary and testimonial evidence from senior officials in the Office of the Deputy Chief Management Officer to determine the scope and status of these headquarters-related efficiency efforts and what actions, if any, DOD has taken as a result of the efforts.

To assess the extent to which DOD has reliable data to assess headquarters functions and their associated costs, we took two main steps.

- First, we identified and reviewed DOD-wide information sources that would provide data on the department's workforce in terms of whether the workforce is performing headquarters work, and the specific headquarters functions that the workforce is performing. We discussed these sources with officials from the Office of the Deputy Chief Management Officer, the Office of the Under Secretary of Defense for Personnel and Readiness, and the Office of the Director of Cost Analysis and Program Evaluation. For this report, we analyzed data and information related to the Inherently Governmental / Commercial Activities (IGCA) Inventory<sup>14</sup> because it was the only DOD-wide data set identified that allowed us to determine the military and civilian workforce—in the form of authorized positions—by both

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<sup>13</sup>We chose 2014 to address any headquarters-related efficiency efforts completed since the issuance of our January 2015 headquarters report, in which we discussed a previous headquarters-related efficiency effort, namely, the effort announced by the Deputy Secretary of Defense in July 2013 to implement a 20 percent cut in management headquarters spending throughout the department. See [GAO-15-10](#); and Deputy Secretary of Defense, *20% Headquarters Reductions*.

<sup>14</sup>DOD annually compiles the IGCA Inventory, which identifies DOD's military and civilian positions as either commercial or inherently governmental. This responds to the requirements of the Federal Activities Inventory Reform Act of 1998, as amended and codified at 31 U.S.C. § 501 note and OMB Circular A-76 (Revised), *Performance of Commercial Activities* (May 29, 2003).

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headquarters<sup>15</sup> and function.<sup>16</sup> Specifically, we obtained data from each of the military services' manpower databases<sup>17</sup> used to populate DOD's IGCA Inventory for fiscal years 2010 through 2014,<sup>18</sup> which was the most recent 5-year period available during our review. We then identified and analyzed these headquarters positions for each service<sup>19</sup> and for each fiscal year by number of military and civilian positions, function, grade, and location. We discussed the data, and the reasons for any patterns or changes we observed in them, with military service representatives. DOD was unable to provide similar data for organizations outside the military departments known as the Fourth Estate<sup>20</sup> in time for our review, so we collected data on the Fourth Estate's military and civilian positions directly from the IGCA

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<sup>15</sup>For purposes of this report, we are using the definition of headquarters that is used in the IGCA Inventory. That definition is derived from DOD Instruction 5100.73 and includes positions that involve oversight, direction, and control of subordinate organizations or units.

<sup>16</sup>The IGCA Inventory contains 38 headquarters DOD function codes. Additional information on these function codes can be found in app. II.

<sup>17</sup>We analyzed data from the following service manpower databases: Force Management System (Army); Total Force Manpower Management System (Navy); Total Force Structure Management System (Marine Corps); and Manpower Programming and Execution System (Air Force).

<sup>18</sup>We requested the data as they would have appeared in each system on September 30, 2010, 2011, 2012, 2013, and 2014, or the closest date to September 30 based on the system's capability.

<sup>19</sup>Every fiscal year, the Office of the Under Secretary of Defense for Personnel and Readiness issues guidance to the DOD components for compiling the IGCA Inventory. We reviewed the guidance for fiscal years 2010 through 2014 to identify the subset of positions that are considered headquarters. According to this guidance, there are more than 300 DOD function codes that can be assigned to an authorized position in the IGCA Inventory based on the type of work performed in that position. Of these more than 300 DOD function codes, there are 38 with a designation of "management headquarters" or "combatant headquarters" in the title of the code. We used these 38 DOD function codes to identify headquarters positions. See OSD, *2014 Inherently Governmental and Commercial Activities Inventory Data Call*.

<sup>20</sup>In DOD Instruction 7730.64, *Automated Extracts of Manpower and Unit Organizational Element Files* (Dec. 11, 2004), DOD defines Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense; the defense agencies; DOD field activities; the Office of the DOD Inspector General; the Chairman of the Joint Chiefs of Staff; and the combatant commands.

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Inventory for fiscal years 2012 to 2014.<sup>21</sup> We assessed the data we received against federal standards for internal control, which call for an agency to have relevant, reliable, and timely information in order to run and control its operations.<sup>22</sup>

- Second, we attempted to calculate the approximate costs of the headquarters positions and associated functions. Because the IGCA Inventory does not contain estimated costs for positions, we used the service databases' pay grade and location information assigned to the military and civilian positions in an attempt to determine the estimated cost to DOD of filling headquarters positions. We were unable to do a similar calculation for the Fourth Estate because Fourth Estate data on positions came from the IGCA Inventory, which does not contain pay grade and location information needed for a cost calculation. We assessed our and DOD's efforts to calculate headquarters-related costs against federal standards for internal control regarding having relevant, reliable, and timely information, and noted the importance of a key step that we have previously identified for conducting fragmentation, overlap, and duplication reviews.<sup>23</sup>

We assessed the reliability of the IGCA-related data sets by reviewing responses to data questionnaires sent to knowledgeable service and Fourth Estate officials, discussing the data with these officials, and conducting our own cross-checks of the data to assess their reasonableness. We found the data to be insufficient for identifying trends in the number and type of headquarters positions and for estimating costs associated with headquarters positions, as discussed in this report. However, we found the data to be sufficiently reliable for presenting 1

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<sup>21</sup>DOD could not provide the final IGCA Inventories for fiscal years 2010 and 2011 because the complete inventories for those years were not retained following personnel turnover in 2010.

<sup>22</sup>See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). These standards were in effect prior to fiscal year 2016 and cover the period when the headquarters data were collected for our review. The standards were subsequently updated. The updated standards went into effect on October 1, 2015 and, consistent with the old version of the standards, emphasize the need for relevant, reliable, and timely information in order to run and control agency operations. See GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

<sup>23</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

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year's worth of data for purposes of illustrating the types of analyses of department-wide headquarters functions that could be conducted if DOD improved the reliability of these data. Finally, we were unable to obtain data on contracted services personnel, either their positions or associated costs, because DOD does not identify contracted services personnel by the type of headquarters function they perform.<sup>24</sup> More details on our objectives, scope, and methodology can be found in appendix III.

We conducted this performance audit from January 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

DOD Instruction 5100.73, Major DOD Headquarters Activities, establishes a system to identify and manage the number and size of major DOD headquarters activities.<sup>25</sup> The instruction also provides an approved list of major DOD headquarters activities, including

- OSD;
- the Joint Staff;
- the Offices of the Secretary of the Army and Army Staff;

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<sup>24</sup>In March 2012, we reported that the instruction on major DOD headquarters activities does not explicitly address how and to what extent the thousands of contractors who work at headquarters around DOD should be included as part of its major DOD headquarters activity data. We therefore recommended that the department revise the instruction to specify how contractors performing major DOD headquarters activity functions will be identified and included in headquarters reporting. See [GAO-12-345](#). As of November 2015, the department stated it is in the process of establishing a single system that is intended to, among other things, more accurately capture and account for contracted support to major DOD headquarters activities. However, DOD officials did not identify a time frame for including contractors in headquarters reporting. See also GAO, *DOD Inventory of Contracted Services: Actions Needed to Help Ensure Inventory Data Are Complete and Accurate*, [GAO-16-46](#) (Washington, D.C.: Nov. 18, 2015).

<sup>25</sup>DODI 5100.73 (Dec. 1, 2007).

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- the Office of the Secretary of the Navy and Office of the Chief of Naval Operations;
  - Headquarters, Marine Corps; and
  - the Offices of the Secretary of the Air Force and Air Staff.

All personnel working within these headquarters organizations are considered to be performing major headquarters activities functions. According to the instruction, other headquarters organizations include portions of the defense agencies, DOD field activities,<sup>26</sup> and the combatant commands, along with their subordinate unified commands and respective service component commands. For example, according to DOD Instruction 5100.73, only personnel performing major headquarters activities functions in the Defense Information Systems Agency and Air Combat Command's Intelligence Squadron would be considered headquarters, while personnel performing other functions would be excluded.

Several DOD organizations have responsibilities related to major DOD headquarters activities, including those summarized below.

- The Office of the Deputy Chief Management Officer (DCMO) is responsible for ensuring that DOD components are accurately identifying and accounting for major DOD headquarters activities, according to criteria established in DOD Instruction 5100.73.<sup>27</sup> In addition, the Deputy Chief Management Officer has primary responsibility set forth under department guidance related to improving the efficiency and effectiveness of operations across DOD's business functions,<sup>28</sup> and is authorized by the Chief Management Officer to act as the Principal Staff Assistant to issue policy and guidance regarding matters relating to the management and

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<sup>26</sup>Defense agencies and DOD field activities are responsible for performing supply or service activities common to more than one military department. See 10 U.S.C. § 101. Examples include the Defense Logistics Agency, the Defense Finance and Accounting Service, and the DOD Education Activity.

<sup>27</sup>DOD Instruction 5100.73 identifies these responsibilities for the Office of the Director of Administration and Management, which was moved under the DDCMO in 2014.

<sup>28</sup>Department of Defense Directive 5105.82, *Deputy Chief Management Officer (DCMO) of the Department of Defense* (Oct. 17, 2008).

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improvement of DOD business operations. This has included responsibilities related to identifying and monitoring implementation of cost savings opportunities and efficiencies across DOD's business areas.

- The Under Secretary of Defense for Personnel and Readiness, according to DOD Instruction 5100.73, is responsible for reviewing and issuing guidance over, and consolidating changes in, manpower authorizations and personnel levels for major DOD headquarters activities, among other things. In addition to these responsibilities, the Under Secretary of Defense for Personnel and Readiness also compiles the annual Defense Manpower Requirements Report, which provides DOD's manpower requirements, to include manpower assigned to major headquarters activities, as reflected in the President's budget request for the current fiscal year. The Under Secretary of Defense for Personnel and Readiness is also responsible for developing an annual guide for DOD components to use when compiling their IGCA Inventory submissions in response to statutory and regulatory reporting requirements. In addition, the Under Secretary of Defense for Personnel and Readiness shares responsibility—with the Under Secretary of Defense for Acquisition, Technology and Logistics and the Office of the Under Secretary of Defense (Comptroller)—for issuing guidance for compiling and reviewing the Inventory of Contracted Services.<sup>29</sup> The Under Secretary of Defense for Personnel and Readiness in particular compiles the inventories prepared by the components.
- The heads of DOD components, including the Secretaries of the military departments, the Chairman of the Joint Chiefs of Staff, and the heads of other DOD components have responsibility, according to this instruction, for maintaining a management information system that identifies the number of personnel and total operating costs of major

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<sup>29</sup>Section 2330a of title 10 of the U.S. Code requires DOD to annually compile, and the military departments and defense agencies to review, an inventory of services contracted for or on behalf of DOD during the preceding fiscal year. This inventory is intended, in part, to help provide better insight into the number of contractor full-time equivalents providing services to the department and the functions they are performing, and determine whether any of these functions warrant conversion to DOD civilian performance. GAO has previously reported on the challenges DOD faces in compiling, reviewing, and using the inventory. See, for example, [GAO-16-46](#).

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DOD headquarters activities, and reporting on these data to the Under Secretary of Defense (Comptroller).

Since 2010, DOD has recognized that it must reduce the cost of doing business, including reducing the rate of growth in personnel costs and finding further efficiencies in overhead and headquarters, in its business practices, and in other support activities. Therefore, the department has pursued headquarters-related reduction efforts in recent years to realize cost savings. See appendix IV for additional details on these efforts.

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## Department-Wide Efficiency Initiatives That Include Headquarters Are Under Way

Since 2014, and in part to respond to congressional direction, DOD has undertaken initiatives intended to improve the efficiency of its business processes, which include headquarters organizations, and identify related cost savings, but it is unclear to what extent these initiatives will help the department achieve the savings it has identified. In May 2015, DOD concluded its Core Business Process Review, which was intended to apply lessons learned and information technology approaches from the commercial sector to the department's six core business processes—management of human resources, healthcare, financial flow, acquisition and procurement, logistics and supply, and real property—in order to save money and resources while improving mission performance. Through this review, ODCMO identified \$62 billion to \$84 billion in potential cumulative savings opportunities across the six business processes for fiscal years 2016 through 2020. The review identified that these potential savings opportunities could be achieved through civilian personnel attrition and retirements to occur without replacements over the next 5 years, matching labor productivity in comparable industries or sectors, and improving core processes such as rationalizing organizational structures to reduce excessive layers, optimizing contracts, and using information technology to eliminate or reduce manual processes.<sup>30</sup> According to ODCMO officials, DOD ultimately concluded

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<sup>30</sup>In addition, in February 2015, the Defense Business Board, using the Core Business Process Review's preliminary data, presented advisory recommendations to the Secretary of Defense, stating that its recommendations would result in potential savings of \$75 billion to \$150 billion in the next 5 years. Among these were best practices and recommendations aimed at optimizing contracts, reviewing organizational structures to reduce areas of complexity and redundancy, implementing consolidation of data centers, and identifying skills gaps. See Defense Business Board, *Report to the Secretary of Defense: Transforming Department of Defense's Core Business Processes for Revolutionary Change* (Feb. 9, 2015).

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that these potential savings opportunities could not entirely be achieved through these means.

Nevertheless, ODCMO officials noted that DOD is already engaging in initiatives that, in effect, address the opportunities highlighted by the Core Business Process Review. The four department-led initiatives we reviewed that include headquarters organizations are concurrent and have varied scopes. Two of the initiatives are focused on OSD and its related organizations—one of these initiatives consists of a series of business process and systems reviews and the other initiative is a review focused on reducing the number of layers in OSD. A third initiative is focused specifically on contracted services requirements for DOD organizations outside the military departments known as the Fourth Estate.<sup>31</sup> Finally, the fourth initiative—the review of the organization and responsibilities of DOD—is focused on updating or adjusting organizational relationships and authorities across the entire department, with a final report to possibly be issued later in 2016. The four initiatives were not completed, or their results were not available, in time for us to assess their effect, and therefore it is unclear to what extent they will contribute toward the savings identified by the Core Business Process Review. The initiatives are described in more detail below.

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## Business Process and Systems Reviews

In August 2014, DOD announced Business Process and Systems Reviews (BPSR), which, according to BPSR implementation guidance, are intended to review business processes and the supporting information technology systems within selected organizations in OSD and associated defense agencies and DOD field activities. The purpose of these BPSRs is to provide senior officials with information to clarify whether their organizations are aimed at departmental outcomes, to identify resources allocated to outcomes and any obstacles to achieving those outcomes, and to identify activities that might be improved or eliminated.<sup>32</sup> As of April

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<sup>31</sup>As previously mentioned, in DOD Instruction 7730.64, DOD defines Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense; the defense agencies; DOD field activities; the Office of the DOD Inspector General; the Chairman of the Joint Chiefs of Staff; and the combatant commands.

<sup>32</sup>Deputy Secretary of Defense, *Implementation Guidance for the Business Process and Systems Review*, memorandum (Aug. 8, 2014).

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2016, DOD had completed BPSRs for five of nine organizations.<sup>33</sup> In some cases, organizations have taken steps to implement potential improvement and savings opportunities identified by the BPSRs. For example, as a result of a review of the ODCMO, the Deputy Secretary of Defense approved the implementation of a single service provider for the Pentagon's information technology operations in May 2015. In other cases, it is unclear whether organizations have begun taking steps to implement the opportunities identified by the BPSR reviews. For example, the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment identified a potential opportunity to reduce military construction costs by up to 3 percent through revisions to antiterrorism standards for DOD-owned buildings, but noted that this potential opportunity must first be subject to thorough analysis to fully appreciate its validity and return on investment. The department is currently working to complete BPSR reviews for four other organizations.<sup>34</sup> According to ODCMO officials, DOD may conduct more BPSRs in the future but currently has no specific plans to do so once these four are completed.

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## OSD Organizational Delayering Initiative

In July 2015, DOD announced an effort to reduce layers of management and staff—known as delayering—in the management structure of OSD and associated defense agencies and DOD field activities.<sup>35</sup> According to OSD officials and DOD's fiscal year 2017 budget request, the department intends to use this review to help respond to certain provisions in the National Defense Authorization Act for Fiscal Year 2016, namely, the 25 percent reduction to the headquarters baseline amount by fiscal year

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<sup>33</sup>DOD has completed BPSR reviews for the Office of the Under Secretary of Defense for Personnel and Readiness; the Office of the Under Secretary of Defense (Comptroller); the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment; the Defense Logistics Agency; and the ODCMO.

<sup>34</sup>DOD is working on BPSR reviews for the Office of the Under Secretary for Defense for Acquisitions, Technology and Logistics; the Office of the Under Secretary for Defense for Intelligence; the Office of the DOD Inspector General; and the Defense Media Activity.

<sup>35</sup>According to the Defense Business Board, delayering involves reducing or consolidating layers of management and staff for the purposes of optimizing the organization's speed, agility, and human resource costs. Defense Business Board, *Report to the Secretary of Defense: Applying Best Business Practices from Corporate Performance Management to DOD*, Report FY 13-03; and Defense Business Board, *Report to the Secretary of Defense: Implementing Best Practices for Major Business Processes in the Department of Defense*, Report FY 14-01.

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2020 and the \$10 billion in cost savings from headquarters, administrative, and support activities by fiscal year 2019.<sup>36</sup> For this effort to reduce OSD organizational layers, the ODCMO has directed these organizations, with the support of an ODCMO team, to rationalize organizational layers and supervisory spans of control, as well as to identify redundant and obsolete workload and capture potential cost savings. ODCMO's guidance to the organizations conducting the delayering reviews recommends, among other things, that the number of organizational layers in OSD should not be more than five, and that the capabilities and functional areas that have been historically assigned to an OSD organization will remain within the same organization, unless a functional assessment allows an opportunity for cross-organizational partnership and shared work activities. According to officials from ODCMO and the Office of the Under Secretary of Defense for Personnel and Readiness, the organizations have identified the civilian positions they intend to eliminate or restructure as part of the initiative. However, the results of the initiative are not yet publicly available. The Deputy Chief Management Officer stated that the department would issue a report, at an unspecified time, that will include the cost savings identified by this OSD Organizational Delayering initiative. According to the department's budget request for fiscal year 2017, the objective of this OSD delayering review is to achieve \$1.5 billion in cost savings from fiscal year 2018 through fiscal year 2021.

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### Services Requirements Review Board Initiative

Also in July 2015, DOD announced that it would seek to improve the outcomes of contracted services through standardized processes and governance structures. This initiative is intended, according to OSD officials, to help the department achieve the 25 percent headquarters reduction and the \$10 billion in headquarters-related cost savings, which were directed by the National Defense Authorization Act for Fiscal Year 2016.<sup>37</sup> In December 2015, the Deputy Chief Management Officer directed Fourth Estate organizations to convene internal review boards

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<sup>36</sup>See Pub. L. No. 114-92, § 346(a) and (b) (2015).

<sup>37</sup>See Pub. L. No. 114-92, § 346(a) and (b) (2015).

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known as Services Requirements Review Boards<sup>38</sup> to review their requirements for contracted services.<sup>39</sup> These boards, which DOD has implemented for OSD, the defense agencies, and DOD field activities, are intended to assess every service contract within these organizations that is worth \$10 million or more to determine whether a valid requirement for that contract remains or whether the funds could be better employed elsewhere within the same organization. The results of these reviews are then considered by DOD leadership using a senior review panel, comprising the Deputy Chief Management Officer, the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics, and the Principal Staff Assistant for the organization being reviewed.<sup>40</sup> In March 2016, the Deputy Chief Management Officer reported that the objective of this effort would be to achieve savings of at least 5 percent in spending on such contracts, but did not specify the baseline from which the 5 percent would be measured. According to the department's budget request for fiscal year 2017, DOD expects to realize savings through this initiative of \$1.9 billion in direct appropriations by 2021 within OSD, the defense agencies, and DOD field activities, and additional savings in

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<sup>38</sup>DOD Instruction 5000.74, *Defense Acquisition of Services* (Jan. 5, 2016), establishes a Services Requirements Review Board process for developing, analyzing, reviewing, and validating requirements for the acquisition of services, pursuant to section 2330 of title 10 of the U.S. Code. This instruction applies to OSD, the military departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the combatant commands, the Office of the DOD Inspector General, the defense agencies, the DOD field activities, and all other organizational entities within DOD. We have an ongoing review examining, in part, how the Service Requirement Review Boards are being implemented.

<sup>39</sup>Deputy Chief Management Officer, *Service Requirements Review Board Implementation for the Department of Defense Fourth Estate*, memorandum (Dec. 22, 2015).

<sup>40</sup>Principal Staff Assistants are those officials within OSD who report directly to the Secretary or Deputy Secretary of Defense and provide advice, assistance, and support to the Secretary of Defense in managing the department and in carrying out such duties as may be prescribed by the Secretary or by law. The 14 Principal Staff Assistants include the 5 Under Secretaries of Defense; the Deputy Chief Management Officer; the DOD General Counsel; the DOD Inspector General; the Director of Cost Assessment and Program Evaluation; the Director of Operational Test and Evaluation; the Assistant Secretary of Defense for Legislative Affairs; the Assistant to the Secretary of Defense for Public Affairs; the DOD Chief Information Officer; and the Director of Net Assessment. By law, each defense agency and DOD field activity operates under the authority, direction, and control of the Secretary of Defense, either through a Principal Staff Assistant or another designated official. See DOD Directive 5100.01, *Functions of the Department of Defense and Its Major Components* (Dec. 21, 2010).

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working capital-funded entities.<sup>41</sup> The Deputy Chief Management Officer also stated that the department would issue a single report that will include the cost savings identified by the Services Requirements Review Board, as well as the OSD Organizational Delayering initiative, but did not specify a time frame for doing so.

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### Review of the Organization and Responsibilities of DOD

In January 2016, the Deputy Secretary of Defense noted that the Secretary of Defense, as part of his institutional reform agenda, directed the Deputy Chief Management Officer and the Director for Joint Force Development (J7) to lead a review of organizations and responsibilities of the DOD. The objective of this review is to make recommendations for updates or adjustments to organizational relationships and authorities, based on the department's experiences operating under the Goldwater-Nichols Department of Defense Reorganization Act of 1986.<sup>42</sup> The department intends to use this review, according to ODCMO officials, to address the provision in the National Defense Authorization Act for Fiscal Year 2016 that requires DOD to conduct a comprehensive review of headquarters and administrative and support activities for purposes of consolidating and streamlining headquarters functions.<sup>43</sup> To conduct the review, ODCMO officials stated that the department has developed five working groups, led jointly by OSD and Joint Staff officials, with each working group addressing a different topic: optimization of command and control relationships to meet current and future security challenges; improved coordination and elimination of overlaps between OSD and the Joint Staff; the possible establishment of U.S. Cyber Command as a unified combatant command; potential improvements to the requirements and acquisition decision-making processes; and increased flexibility in law and policy governing joint duty qualifications. In addition, as part of this review of DOD's organization and responsibilities, the military departments have established their own working groups to assess the structures of their respective secretariats and staffs to identify potential

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<sup>41</sup>A working capital fund is a revolving fund established to finance inventories of supplies and other stores, or to provide working capital for industrial-type activities.

<sup>42</sup>See Pub. L. No. 99-433, (1986), which was enacted to provide for the more efficient use of defense resources, enhance the effectiveness of military operations, and improve the management and administration of DOD, among other purposes.

<sup>43</sup>See Pub. L. No. 114-92, § 346(c) (2015).

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improvements. According to ODCMO officials, most of the working groups planned to complete their reviews and brief the Secretary of Defense by March 2016. The results of these reviews were not available at the time of our review. However, in a speech in April 2016, the Secretary of Defense provided an overview of some preliminary recommendations that may result from this review, such as clarification to the role of the Chairman of the Joint Chiefs of Staff, changes to joint personnel management, and adapting combatant commands to new functions.<sup>44</sup> According to ODCMO officials, the department may issue a report with findings and recommendations on the overall review later in 2016.

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## DOD Does Not Have Reliable Data on Headquarters Functions and Costs, Which Hinders Assessment

DOD has taken steps to improve some available data on headquarters organizations, but does not have reliable data for assessing headquarters functions and associated costs. Consistent with a past GAO recommendation, DOD published a new framework describing major headquarters organizations and stated that it has established a new definition of major DOD headquarters activities (although the department has not yet updated its headquarters instruction to reflect this definition). In addition, DOD is working to identify which organizations or portions of organizations meet a new definition of major DOD headquarters activities that was included in the National Defense Authorization Act for Fiscal Year 2016, and intends to revise its headquarters instruction upon completion of this effort. Finally, the department plans to update a key resource database, the Future Years Defense Program (FYDP),<sup>45</sup> to improve visibility of headquarters resources. However, the one department-wide data set that identifies specific DOD headquarters functions contains unreliable data because the department has not aligned these data with its definition of major headquarters activities, nor does it have plans to collect information on the costs associated with functions within headquarters organizations.

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<sup>44</sup>Secretary of Defense Ash Carter, *Goldwater-Nichols at 30: An Agenda for Updating*, speech at the Center for Strategic and International Studies, Washington, D.C.: April 5, 2016.

<sup>45</sup>DOD's FYDP is the official document and database summarizing forces and resources associated with DOD programs. It consists of thousands of program elements, each of which represents an aggregation of organizational entities and the related resources.

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## DOD Is Taking Steps to Improve Some Headquarters-Related Data

In 2015, the department began an effort to improve some available headquarters data, which addresses a fundamental problem that our prior reports have cited and DOD has acknowledged as a longstanding challenge.<sup>46</sup> Specifically, in August 2015, DOD published a framework describing the major headquarters activities and stated that it has established a new definition for its major DOD headquarters, although the department has not yet updated its guiding instruction on headquarters to reflect this new definition. The National Defense Authorization Act for Fiscal Year 2016 was enacted in November 2015 and included a revised definition of major DOD headquarters activities. Since that time, according to ODCMO officials, DOD has been working to determine which organizations or portions of organizations meet the new definition in the act in order to establish a more accurate headquarters baseline. In March 2016, the Deputy Chief Management Officer reported that the department plans to complete this effort by June 2016, thereby institutionalizing an authoritative headquarters baseline for purposes of reporting and tracking. At this time, the department also plans to update its guiding instruction on headquarters with the new definition. According to ODCMO officials, tracking would include revising the headquarters-related coding of program elements in its key resource database—the FYDP—to ensure they are appropriately designated as headquarters according to the new definition, and, where necessary, to break down these program element codes into headquarters and nonheadquarters components to better reflect allocation of headquarters resources. According to DOD officials, they have begun updating the resource coding in the FYDP and plan to complete this effort by late 2016.

The re-baselining effort took on increased urgency when, in August 2015, the Deputy Secretary of Defense announced a new 25 percent cost-reduction target for major DOD headquarters activities (the military departments, OSD staff, the Joint Staff, defense agencies, DOD field activities, and combatant commands)<sup>47</sup> in anticipation of a congressional

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<sup>46</sup>For previous DOD headquarters reports, see [GAO-12-345](#); *Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility Of Combatant Commands' Resources*, [GAO-13-293](#) (Washington, D.C.: May 15, 2013); *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands*, [GAO-14-439](#) (Washington, D.C.: June 26, 2014); and [GAO-15-10](#). For more information on these reports, see app. I.

<sup>47</sup>See Deputy Secretary of Defense, *Cost Reduction Targets for Major Headquarters*, memorandum (Aug. 24, 2015).

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mandate for additional reductions.<sup>48</sup> In addition, the National Defense Authorization Act for Fiscal Year 2016 allows documented savings achieved pursuant to this 25 percent headquarters reduction to be counted toward another of the act's requirements, namely, that the Secretary of Defense implement a plan to ensure the department achieves not less than \$10 billion in cost savings from the headquarters, administrative, and support activities of the department by fiscal year 2019.<sup>49</sup> According to ODCMO officials, DOD plans to meet this \$10 billion savings requirement by identifying existing efficiency initiatives whose savings will be applied toward the savings total. For example, ODCMO officials stated that the ODCMO will apply the savings that were identified through an information technology consolidation initiative,<sup>50</sup> through its OSD Organizational Delayering initiative, as well as through its efforts to streamline contracted services by means of the Services Requirements Review Board. In March 2016, the DCMO provided an interim response to Congress identifying that the fiscal year 2017 President's Budget included \$7.8 billion in new efficiencies over the next 5 years, but did not provide more specific information on when and from where in the budget these efficiencies would be realized or how the department would apply them to the \$10 billion savings required by Congress. ODCMO's interim response stated that the department will issue a report that provides a breakdown of the \$10 billion cost savings by year, but did not provide a time frame for doing so.

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<sup>48</sup>Section 346(b) of the National Defense Authorization Act for Fiscal Year 2016, which was enacted on Nov. 25, 2015, requires DOD to, among other things, ensure that it achieves savings in the total funding available for major DOD headquarters activities by fiscal year 2020 that are not less than 25 percent of the baseline amount, which is the amount authorized to be appropriated by the act for fiscal year 2016 for major DOD headquarters activities, adjusted by a credit for an earlier 20 percent reduction in such headquarters activities.

<sup>49</sup>See Pub. L. No. 114-92, § 346(a) (2015).

<sup>50</sup>In the BPSR for the ODCMO, that office identified the consolidation of information technology support as a potential improvement and savings opportunity, and called upon senior officials to, among other things, develop a plan to reduce the cost of Pentagon operations by 10 percent. In October 2014, the Deputy Secretary of Defense directed a review of the cost of information technology operations at the DOD headquarters, and, in May 2015, he approved and directed the implementation of a single service provider plan resulting from this review.

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**DOD Does Not Have Reliable Data on Headquarters Functions or a Plan to Collect Costs Associated with Headquarters Functions**

Part of the reason that DOD must undertake concurrent reviews and studies to achieve efficiencies is that the department does not have reliable data in two main areas. First, available DOD-wide data sources on headquarters functions are not aligned with the department-wide definition of headquarters. We attempted to conduct an independent review to assess headquarters functions, and we considered several department-wide data sources but found limitations in each. Second, DOD's data on headquarters functions do not include information on costs associated with functions within headquarters organizations, nor, according to OSD officials, does the department have plans to collect such information. According to federal standards for internal control, an agency must have relevant, reliable, and timely information to run and control its operations.<sup>51</sup> This information is required to make operating decisions, monitor performance, and allocate resources, among other things. The lack of reliable data may hinder DOD's ability to conduct a comprehensive review for purposes of consolidating and streamlining headquarters functions, among other things, as DOD was directed to do in the National Defense Authorization Act for Fiscal Year 2016.<sup>52</sup>

**DOD-Wide Data Sources Are Not Aligned with Headquarters Definition**

According to OSD officials, although DOD has several sources to organize and categorize its workforce,<sup>53</sup> only one department-wide data set, known as the Inherently Governmental / Commercial Activities (IGCA) Inventory, identifies specific DOD headquarters functions in the form of authorized military and civilian positions.<sup>54</sup> In the IGCA Inventory, each DOD position is assigned a function based on the type of work

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<sup>51</sup>See GAO/AIMD-00-21.3.1. These standards were in effect prior to fiscal year 2016 and cover the period when the headquarters data were collected for our review. The standards were subsequently updated. The updated standards went into effect on October 1, 2015 and, consistent with the old version of the standards, emphasize the need for relevant, reliable, and timely information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks. See GAO-14-704G.

<sup>52</sup>See Pub. L. No. 114-92, § 346(c) (2015).

<sup>53</sup>As discussed in app. III, we also reviewed the FYDP, the Defense Manpower Data Center, and the Inventory of Contracted Services.

<sup>54</sup>For purposes of this report, we are using the definition of headquarters that is used in the IGCA Inventory. That definition is derived from the department's guiding instruction on headquarters—DOD Instruction 5100.73—and includes positions that generally involve oversight, direction, and control of subordinate organizations or other units.

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performed, and 38 of these 306 functions are headquarters-related.<sup>55</sup> Examples of such headquarters-related functions include Operation Planning and Control, Military Education and Training, and Systems Acquisition.<sup>56</sup> Navy guidance specifically notes that the IGCA Inventory may be used as a total force shaping tool and a starting point for future manpower reviews or initiatives.<sup>57</sup> For an example of the type of information that reliable data on headquarters functions could produce, see appendix V, which provides our analysis of the headquarters functions with the highest number of positions for each military service and Fourth Estate component in fiscal year 2014.<sup>58</sup>

However, we found that because the data in this data set were not aligned with headquarters definitions, they were not sufficiently reliable to assess these functions. IGCA Inventory guidance<sup>59</sup> calls for components to assign headquarters-related DOD function codes to positions based on a headquarters definition that, while derived from DOD Instruction 5100.73, does not include all elements of the definition in that instruction. As a result, we found that the data on the number and functions of DOD's military and civilian headquarters positions have varying levels of accuracy. For example, in fiscal year 2014, only 79 percent of authorized positions in OSD were considered headquarters within the IGCA Inventory, even though OSD is considered a headquarters organization in its entirety under both the definition provided in DOD Instruction 5100.73 and the new definition. Officials from all four military services informed us

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<sup>55</sup>Of the more than 300 DOD function codes, we analyzed the 38 with a designation of "management headquarters" or "combatant headquarters" in the title of the code. For the purposes of this report, we use the term "headquarters," rather than "management headquarters" or "combatant headquarters." Headquarters-related functions typically involve developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating performance; conducting or reviewing mid- and long-range planning, programming, and budgeting; and allocating resources.

<sup>56</sup>For detailed descriptions of these 38 headquarters-related functions, see app. II. In that list, function 7 describes Operation Planning and Control, function 28 describes Military Education and Training, and function 31 describes Systems Acquisition.

<sup>57</sup>Office of the Chief of Naval Operations, OPNAVINST 1000.16L, *Navy Total Force Manpower Policies and Procedures* (June 24, 2015).

<sup>58</sup>Based on our review of the data and discussions with service officials, fiscal year 2014 data are the most reliable available during the period of our review.

<sup>59</sup>OSD, 2014 *Inherently Governmental and Commercial Activities Inventory Data Call*.

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that, from fiscal year 2010 through fiscal year 2014, they discovered some positions that had been incorrectly coded as headquarters and undertook varying efforts to correct them. As a result, we have more confidence in data presented in the later years of the 2010 to 2014 period we reviewed, but data limitations in the earlier years covered by our review precluded us from assessing trends of these functions over time.

While service officials told us they had taken steps to improve consistency of the headquarters-related DOD function codes in the IGCA Inventory, DOD does not have plans to update the data set to ensure that the headquarters-related DOD function codes in the IGCA Inventory are also consistent with the new headquarters definition. According to OSD officials, they have no plans to do so because the IGCA Inventory is not the department's authoritative source for headquarters data. However, DOD and service officials have noted that, over time, officials have inconsistently interpreted what should be counted as headquarters according to the instruction, resulting in varying counts of headquarters positions depending on the source of the data. For example, in its Fiscal Year 2015 Defense Manpower Requirements Report,<sup>60</sup> DOD included an estimate for fiscal year 2014 of 108,073 headquarters positions across the department, that is, OSD, the military services, the Joint Staff and combatant command headquarters, and the defense agencies and DOD field activities. In contrast, for these same organizations, DOD reported a total of 74,221 headquarters positions in its IGCA Inventory for fiscal year 2014 and a total of 61,046 headquarters positions in a May 2015 headquarters-related report, known as the Section 904 report.<sup>61</sup> We believe that alignment of data sets containing headquarters-related codes, such as the IGCA Inventory, with the department-wide

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<sup>60</sup>The Defense Manpower Requirements Report is an annual report to Congress that provides DOD's manpower requirements, including those for military personnel and civilians assigned to major DOD headquarters activities in the preceding fiscal year and estimates of such numbers for the current and subsequent fiscal year, as reflected in the President's budget request for the current fiscal year. See 10 U.S.C. § 115a.

<sup>61</sup>See Department of Defense, *Plan for Streamlining DOD Management Headquarters: Section 904 Initial Report to Congress* (May 14, 2015). Section 904 of the National Defense Authorization Act for Fiscal Year 2014, Pub. L. No. 113-66, requires the Secretary of Defense to develop a plan for streamlining DOD management headquarters by changing or reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no added value, and consolidating overlapping and duplicative programs and offices.

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## DOD Does Not Plan to Collect Information on Functions with Headquarters Organizations

headquarters definition will provide senior DOD officials with the relevant, reliable, and timely information they need to make operating decisions, monitor performance, and allocate resources. Without alignment of data on department-wide military and civilian positions that have headquarters-related DOD function codes with the authoritative, revised definition of major DOD headquarters activities, the department will not have reliable data to enable senior officials to accurately assess headquarters functions, target specific functional areas for further analysis, or identify potential streamlining opportunities.

ODCMO officials stated that, once they have finalized the headquarters definition, they plan to complete an effort to improve the accuracy of the resource levels attached to headquarters organizations by ensuring that organizations are appropriately designated as headquarters in the FYDP and, as needed, breaking these organizations down into smaller headquarters and nonheadquarters program element codes. However, these actions will not provide reliable information on the costs associated with the various functions within those headquarters organizations. According to ODCMO officials, the department does not have plans to collect such information because it believes that improving the accuracy of the resources associated with headquarters organizations will be sufficient to support any future DOD assessments of headquarters. We believe, however, that, detailed information that provides visibility into the costs associated with functions within headquarters organizations would better facilitate identification of opportunities for consolidation or elimination across organizational boundaries.

Moreover, the defense committees have previously noted that, to achieve significant savings, the department must focus on consolidating and eliminating organizations and personnel that perform similar functions and missions.<sup>62</sup> Army officials have also noted that being able to track the Army's manpower by function could be useful to understand cost drivers in the budget, and could provide a starting point to help them determine the best application of structure and manpower. In addition, the National Defense Authorization Act for Fiscal Year 2016 directs the Secretary of Defense to conduct a comprehensive review of DOD headquarters,

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<sup>62</sup>See, for example, S. Rep. No. 113-176 (June 2, 2014) accompanying S. 2410, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015.

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among other things, for purposes of consolidating and streamlining headquarters functions. This functional review is to address the extent to which certain groupings of DOD headquarters organizations—such as OSD, the military departments, the defense agencies, and other organizations—have duplicative staff functions and services and could therefore be consolidated, eliminated, or otherwise streamlined. We have previously identified key steps to help analysts and policymakers conduct reviews to identify and evaluate instances of duplication, fragmentation, and overlap.<sup>63</sup> One step in conducting such a review is to identify the potential positive and negative effects of any duplication, fragmentation, or overlap by assessing program implementation, outcomes and impact, and cost-effectiveness. In particular, we found that assessing and comparing the performance and cost-effectiveness of programs can help analysts determine which programs, or aspects of programs, to recommend for actions such as consolidation or elimination.

In the absence of reliable data on the costs of functions with headquarters organizations, we obtained data from each of the military services' manpower databases on all military and civilian headquarters positions for fiscal years 2010 through 2014. However, we could not reliably calculate the estimated costs to DOD of filling those positions due to inconsistencies and incomplete information in the pay grade data we collected from the Army and the Air Force. For example, the Army could not provide data to distinguish whether the 15 percent of its headquarters positions allocated to its reserve components in 2014 were full- or part-time—a factor needed to estimate costs. In the Air Force, we were unable to match civilian pay scales to 16 percent of Air Force civilian headquarters positions in 2014. For the Fourth Estate headquarters positions, DOD was unable to provide pay grade and location information from its Fourth Estate data system in time for our review due to other ongoing, headquarters-related initiatives. However, according to our analysis of data-reliability questionnaires sent to Fourth Estate organizations, 25 of the 38 Fourth Estate organizations, or 66 percent, reported that their data in the Fourth Estate data system for the period from fiscal year 2010 through fiscal year 2014 were incomplete or inaccurate.

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<sup>63</sup> GAO-15-49SP.

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Once the definition of major DOD headquarters activities is published in DOD guidance, without reliable information on the costs associated with functions within headquarters organizations—through revisions to the IGCA Inventory or another method—the department will not be able to accurately estimate resources associated with specific headquarters functions, which in turn could help senior officials identify streamlining opportunities, make decisions, monitor performance, and allocate resources.

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## Conclusions

As it faces a potentially extended period of fiscal constraints, DOD has concluded that reducing the resources it devotes to headquarters is an area where cost savings can be achieved. The defense committees agree, but have expressed concern about DOD's ability to identify significant cost savings given the department's poor visibility into the total resources being devoted across organizations to similar functions and missions. Further, Congress has recently directed the Secretary of Defense to ensure that the department achieves savings in the total funding available for major DOD headquarters activities by fiscal year 2020 that are not less than 25 percent of the baseline amount, and to implement a plan to ensure the department achieves not less than \$10 billion in cost savings from its headquarters, administrative, and support activities by fiscal year 2019.<sup>64</sup> Since 2014, DOD has undertaken concurrent initiatives of varying scope that include improving the efficiency of headquarters organizations and identifying related cost savings, but, because they are not yet completed, it is unclear to what extent these initiatives will help the department to achieve the \$62 billion to \$84 billion in cost savings opportunities that it has identified. DOD's limited information on which positions perform which headquarters functions and their associated costs hinders its ability to identify potential cost savings associated with opportunities to consolidate and streamline these headquarters functions. While the department has taken steps to respond to a new headquarters definition and has begun to align its key resource database—the FYDP—to better reflect the new definition, these efforts are not yet completed and the department does not have plans to align these efforts with the existing data on department-wide military and civilian positions that have headquarters-related DOD function codes or to

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<sup>64</sup>See Pub. L. No. 114-92, § 346(a) and (b) (2015).

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collect information on the costs associated with functions within headquarters organizations. Without such alignment and such information, the department will not be well-positioned to reliably conduct an assessment of its headquarters workforce by function to identify opportunities for streamlining and related cost savings. Conducting such functional analysis could allow DOD officials to raise questions about the number and types of positions with particular headquarters functions and to better understand cost drivers and identify efficiency-related opportunities within the department.

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## Recommendations for Executive Action

To further DOD's efforts to identify opportunities for more efficient use of headquarters-related resources, we recommend that the Secretary of Defense direct the Deputy Chief Management Officer, in coordination with the Under Secretary of Defense for Personnel and Readiness, the Chairman of the Joint Chiefs of Staff, the Secretaries of the military departments, and the heads of the defense agencies and DOD field activities, to take the following two actions:

- align DOD's data on department-wide military and civilian positions that have headquarters-related DOD function codes with the revised definition of major DOD headquarters activities in order to provide the department with reliable data to accurately assess headquarters functions and identify opportunities for streamlining or further analysis; and
- once this definition is published in DOD guidance, collect reliable information on the costs associated with functions within headquarters organizations—through revisions to the IGCA Inventory or another method—in order to provide the department with detailed information for use in estimating resources associated with specific headquarters functions, and in making decisions, monitoring performance, and allocating resources.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In written comments on a draft of this report, DOD concurred with our two recommendations. DOD's comments are summarized below and reprinted in their entirety in appendix VI.

DOD concurred with our recommendations to (1) align DOD's data on department-wide military and civilian positions that have headquarters-related DOD function codes with the revised definition of major DOD headquarters activities, and (2) once this definition is published in DOD

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guidance, collect reliable information on the costs associated with functions within headquarters organizations—through revisions to the IGCA Inventory or another method.

In its response, DOD stated that it is currently updating civilian and military manpower and total obligation authority baselines for major DOD headquarters activities to align with the new headquarters-related definition and framework. The department stated that this effort includes updating data architecture for coding major DOD headquarters activities, by program element code, in the Future Years Defense Program, and noted that this data architecture will serve as the authoritative methodology to account for headquarters manpower and resources in the future. Further, DOD stated that, once those efforts are complete and the new framework is codified in an update to DOD Instruction 5100.73, the department will determine how best to align the function code taxonomy, which is the source of data for the IGCA Inventory, with the revised framework and definitions. We agree that determining how to align the data set from the IGCA Inventory with the revised framework and definitions is an important first step and, if implemented, would address the intent of our first recommendation.

Finally, DOD stated in its comments that the updated data architecture will enable the department to collect consistent, comprehensive, and authoritative information on the costs associated with major DOD headquarters activities. We also agree that updating the data architecture for coding major DOD headquarters activities will help improve the department's visibility of headquarters-related resources. As the department works to complete this effort, we believe that it should develop a means of collecting reliable information on the costs associated with functions within headquarters organizations. Doing so would provide the department with detailed information for use in estimating resources associated with specific headquarters functions, and, if implemented, would address the intent of our second recommendation.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Under Secretary of Defense for Personnel and Readiness, the Deputy Chief Management Officer, the Chairman of the Joint Chiefs of Staff, the Secretaries of the military departments, and the heads of the defense agencies and DOD field activities. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff have any questions about this report, please contact me at (202) 512-3489 or [pendletonj@gao.gov](mailto:pendletonj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.

A handwritten signature in black ink that reads "John H. Pendleton". The signature is fluid and cursive, with "John" on top, "H." in the middle, and "Pendleton" on the bottom line.

John H. Pendleton, Director  
Defense Capabilities and Management

# Appendix I: Prior GAO Work on Accounting for Resources Devoted to Department of Defense Headquarters

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We have issued several reports since 2012 on defense headquarters and on the Department of Defense's (DOD) challenges in accounting for the resources devoted to headquarters.

In March 2012, we found that while DOD has taken some steps to examine its headquarters resources for efficiencies, additional opportunities for savings may exist by further consolidating organizations and centralizing functions. We also found that DOD's data on its headquarters personnel lacked the completeness and reliability necessary for use in making efficiency assessments and decisions.<sup>1</sup>

- **Recommendations:** We recommended that the Secretary of Defense direct the Secretaries of the military departments and the heads of the DOD components to continue to examine opportunities to consolidate commands and to centralize administrative and command support services, functions, or programs. Additionally, we recommended that the Secretary of Defense revise DOD Instruction 5100.73, Major DOD Headquarters Activities, to include all headquarters organizations;<sup>2</sup> specify how contractors performing headquarters functions will be identified and included in headquarters reporting; clarify how components are to compile the information needed for headquarters-reporting requirements; and establish time frames for implementing actions to improve tracking and reporting of headquarters resources. DOD concurred with the first recommendation and partially concurred with the second recommendation in this report.
- **Status:** DOD officials have stated that, since 2012, several efforts have been made to consolidate or eliminate commands and to centralize administrative and command support services, functions, or programs. For example, Office of the Secretary of Defense (OSD) officials said that DOD has begun efforts to assess which headquarters organizations are not currently included in its guiding instruction on headquarters, and will update the instruction. However, as of June 2016, DOD has not completed its update of the instruction

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<sup>1</sup>GAO, *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, GAO-12-345 (Washington, D.C.: Mar. 21, 2012).

<sup>2</sup>Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007) (incorporating change 2, June 12, 2012).

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to include all major headquarters activity organizations. OSD officials stated that they would begin updating this instruction upon completion of the effort to assess headquarters organizations. In addition, DOD has not specified how contractors will be identified and included in headquarters reporting, and has not identified a time frame for action.

In May 2013, we found that authorized military and civilian positions at the geographic combatant commands<sup>3</sup>—excluding U.S. Central Command—had increased by about 50 percent from fiscal year 2001 through fiscal year 2012, primarily due to the addition of new organizations, such as the establishment of U.S. Northern Command and U.S. Africa Command, and increased mission requirements for the theater special operations commands.<sup>4</sup> We also found that DOD’s process for sizing its combatant commands had several weaknesses, including the absence of a comprehensive, periodic review of the existing size and structure of these commands and inconsistent use of personnel-management systems to identify and track assigned personnel.

- **Recommendations:** We recommended that the Secretary of Defense direct the Chairman of the Joint Chiefs of Staff to revise its guiding instruction on managing joint personnel requirements—Chairman of the Joint Chiefs of Staff Instruction 1001.01A, Joint Manpower and Personnel Program—to require a comprehensive and periodic evaluation of whether the size and structure of the combatant commands meet assigned missions. DOD did not concur with this recommendation, but we continue to believe that institutionalizing a periodic evaluation of all authorized positions would help to systematically align manpower with missions and add rigor to the requirements process. The department concurred with the remaining three recommendations, namely, that the Secretary of Defense: (1) direct the Chairman of the Joint Chiefs of Staff to revise Chairman of the Joint Chiefs of Staff Instruction 1001.01A to require the combatant

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<sup>3</sup>DOD has nine combatant commands with an assigned geographic region or assigned function. The six geographic commands have defined areas of operation, have a distinct regional military focus, and provide unity of command over all the U.S. forces in a specific region. They are U.S. Africa Command, U.S. Central Command, U.S. European Command, U.S. Northern Command, U.S. Pacific Command, and U.S. Southern Command.

<sup>4</sup>GAO, *Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility Of Combatant Commands’ Resources*, GAO-13-293 (Washington, D.C.: May 15, 2013).

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commands to identify, manage, and track all personnel and to identify specific guidelines and time frames for the combatant commands to consistently input and review personnel data in the system; (2) direct the Chairman of the Joint Chiefs of Staff, in coordination with the combatant commanders and Secretaries of the military departments, to develop and implement a formal process to gather information on authorized manpower and assigned personnel at the service component commands; and (3) direct the Under Secretary of Defense (Comptroller) to revise volume 2, chapter 1, of DOD's Financial Management Regulation 7000.14R to require the military departments, in their annual budget documents for operation and maintenance, to identify the authorized military positions and civilian and contractor full-time equivalents at each combatant command and provide detailed information on funding required by each command for mission and headquarters-support, such as civilian pay, contract services, travel, and supplies.

- **Status:** With regard to the recommendation to revise the instruction to require the commands to improve visibility over all combatant command personnel, DOD has established a new manpower tracking system, the Fourth Estate Manpower Tracking System, that is to track all personnel data, including temporary personnel, and identify specific guidelines and timelines to input/review personnel data. With regard to the recommendation to develop and implement a formal process to gather information on authorized manpower and assigned personnel at the service component commands, as of August 2015, the process outlined by DOD to gather information on authorized and assigned personnel at the service component commands is the same as the one identified during our prior work. With regard to the recommendation to revise DOD's Financial Management Regulation, in December 2014 DOD indicated that the Office of the Under Secretary of Defense (Comptroller) had reinstated an existing budgetary document, the President's Budget 58, Combatant Command Direct Funding, and directed the military services to use this budget exhibit in its guidance on submission of the fiscal years 2016 through 2020 program and budget. The President's Budget 58 provides the department's justification and visibility for changes in the level of resources required for each combatant command. While the President's Budget 58 does not provide detailed information on the number of authorized military or civilian positions and contractor full-time equivalents at each combatant command, it does identify the funding required by each combatant command for mission and headquarters support, which, in general, satisfies the intent of our recommendation.

In June 2014, we found that DOD's functional combatant commands<sup>5</sup> have shown substantial increases in authorized positions and costs to support headquarters operations since fiscal year 2004, primarily to support recent and emerging missions, including military operations to combat terrorism and the emergence of cyberspace as a warfighting domain.<sup>6</sup> Further, we found that DOD did not have a reliable way to determine the resources devoted to management headquarters as a starting point for DOD's planned 20 percent reduction to headquarters budgets, and thus we concluded that actual savings would be difficult to track. We recommended that DOD reevaluate the decision to focus reductions on management headquarters to ensure meaningful savings and set a clearly defined and consistently applied baseline starting point for the reductions. Further, we recommended that DOD track the reductions against the baselines in order to provide reliable accounting of savings and reporting to Congress.

- **Recommendations:** We recommended that the Secretary of Defense reevaluate the decision to focus reductions on management headquarters to ensure the department's efforts ultimately result in meaningful savings. DOD partially concurred, questioning, in part, the recommendation's scope. We agreed that the recommendation has implications beyond the functional combatant commands, which was the scope of our review, but the issue we identified is not limited to these commands. We also recommended that the Secretary of Defense (1) set a clearly defined and consistently applied starting point as a baseline for reductions; and (2) track reductions against the baselines in order to provide reliable accounting of savings and reporting to Congress. DOD concurred with these two recommendations.

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<sup>5</sup>The three functional commands have unique capabilities and operate in support of DOD's worldwide military missions to meet evolving national security challenges. They are U.S. Special Operations Command, U.S. Strategic Command, and U.S. Transportation Command.

<sup>6</sup>GAO, *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands*, GAO-14-439 (Washington, D.C.: June 26, 2014).

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- **Status:** To address the two recommendations with which it concurred, DOD said that it planned to use the Future Years Defense Program<sup>7</sup> data to set the baseline going forward. DOD stated that it was enhancing data elements within a DOD resource database to better identify management headquarters resources to facilitate tracking and reporting across the department. A December 2014 Resource Management Decision directed DOD components to identify and correct inconsistencies in major headquarters activities in authoritative DOD systems and reflect those changes in the fiscal year 2017 program objective memorandums or submit them into the manpower management system, but this effort has not yet been completed.

In January 2015, we found that, over the previous decade, authorized military and civilian positions have increased within the DOD headquarters organizations we reviewed—OSD, the Joint Staff, and the Army, Navy, Marine Corps, and Air Force secretariats and staffs—but the size of these organizations has recently leveled off or begun to decline.<sup>8</sup> In addition, we found that the DOD headquarters organizations we reviewed do not determine their personnel requirements as part of a systematic requirements-determination process, nor do they have procedures in place to ensure that they periodically reassess these requirements as outlined in DOD and other guidance. Current personnel levels for these headquarters organizations are traceable to statutory limits enacted in the 1980s and 1990s to force efficiencies and reduce duplication. However, we found that these limits have been waived since fiscal year 2002 and have little practical utility because of statutory exceptions for certain categories of personnel, and because the limits exclude personnel in supporting organizations that perform headquarters-related functions.

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<sup>7</sup>DOD's Future Years Defense Program is the official document and database summarizing forces and resources associated with DOD programs. It is updated and published at least two times during an annual Planning, Programming, Budgeting, and Execution process to coincide with submission of recommendations from the services and defense agencies to the Secretary concerning how they plan to allocate resources to meet planning and programming guidance, budget estimate submissions, and the President's budget.

<sup>8</sup>GAO, *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of the Secretary of Defense, Joint Staff, and Military Service Secretariats*, GAO-15-10 (Washington, D.C.: Jan. 21, 2015).

- **Recommendations:** We recommended that the Secretary of Defense direct the following three actions: (1) conduct a systematic determination of personnel requirements for OSD, the Joint Staff, and the military services' secretariats and staff, which should include analysis of mission, functions, and tasks, and the minimum personnel needed to accomplish those missions, functions, and tasks; (2) submit these personnel requirements, including information on the number of personnel within OSD and the military services' secretariats and staffs that count against the statutory limits, along with any applicable adjustments to the statutory limits, to Congress, along with any recommendations needed to modify the existing statutory limits; and (3) establish and implement procedures to conduct periodic reassessments of personnel requirements within OSD and the military services' secretariats and staffs. DOD partially concurred with all of these recommendations. In addition, we raised a matter for congressional consideration, namely, that Congress should consider using the results of DOD's review of headquarters personnel requirements to reexamine the statutory limits. Such an examination could consider whether supporting organizations that perform headquarters functions should be included in statutory limits and whether the statutes on personnel limitations within the military services' secretariats and staffs should be amended to include a prohibition on reassigning headquarters-related functions elsewhere.
- **Status:** With regard to the recommendation that DOD conduct a systematic determination of personnel requirements for OSD, the Joint Staff, and the military services' secretariats and staff, the department stated that it will continue to use the processes and prioritization that are part of the Planning, Programming, Budgeting, and Execution process, and will also investigate other methods for aligning personnel to missions and priorities. However, DOD did not specify whether any of these actions would include a workforce analysis. With regard to the recommendation related to conducting periodic reassessments of personnel requirements within OSD and the military service secretariats and staffs. DOD said that it supports the intent of the recommendation but that such periodic reassessments require additional resources and personnel, which would drive an increase in the number of personnel performing major DOD headquarters activities. Specifically, DOD stated it intends to examine the establishment of requirements determination processes across the department, to include the contractor workforce, but this will require a phased approach across a longer timeframe. In December 2014, the Secretary of Defense directed the Deputy Chief Management Officer to develop and implement a manpower

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requirements validation process for OSD, the defense agencies, and DOD field activities for military and civilian manpower, but, as of June 2016, this effort has not yet been completed. With regard to the recommendation related to the submission of the personnel requirements to Congress, along with any applicable adjustments and recommended modifications. DOD stated that it has ongoing efforts to refine and improve its reporting capabilities associated with these requirements, noting that the department has to update DOD Instruction 5100.73, Major DOD Headquarters Activities, before it can determine personnel requirements that count against the statutory limits. We previously recommended that the department update this instruction,<sup>9</sup> and, according to DOD officials, they intend to begin updating the instruction in June 2016. In addition, we noted that DOD did not indicate whether the department would submit personnel requirements that count against the statutory limits in the Defense Manpower Requirements Report, as we recommend, once the instruction is finalized. We continue to believe that submitting these personnel requirements to Congress in this DOD report would provide Congress with key information to determine whether the existing statutory limits on military and civilian personnel are effective in limiting headquarters personnel growth. With regard to the matter for congressional consideration, the Senate Armed Services Committee markup of the National Defense Authorization Act for Fiscal Year 2017 includes a provision that would allow the OSD and the military departments to increase their number of military and civilian personnel by 15 percent in times of national emergency.

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<sup>9</sup>GAO-12-345.

# Appendix II: Descriptions of Headquarters-Related Department of Defense Function Codes

In the Inherently Governmental / Commercial Activities (IGCA) Inventory for fiscal years 2010 through 2014, there are 38 functions, each designated by a specific DOD function code, that have a headquarters designation; of these, 35 are labeled “Management Headquarters,” while 3 are labeled “Combatant Headquarters.” For the purposes of this report, we use the term “headquarters,” rather than “management headquarters” or “combatant headquarters,” when referring to the titles of these 38 functions in the body of the report. Table 1 lists the 38 headquarters functions with accompanying descriptions.<sup>1</sup>

**Table 1: Description of Department of Defense Headquarters Functions**

Headquarters function	Description of function
1. Management Headquarters – Communications, Computing, and Information	This function includes managing communications, computing, and information programs and/or overseeing, directing, and controlling subordinate organizations through developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; conducting mid- and long-range information management/information technology planning, programming, and budgeting; and/or allocating and distributing resources. This includes information management/information technology strategic and capital planning; performance assessments; business process reengineering; information technology risk analysis; knowledge management; and policy, planning, and implementation of computing infrastructures, information architecture/infrastructures, and information operations/warfare. This function is performed by the Office of the Secretary of Defense (OSD); the Joint Staff; the management headquarters of defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters identified in Department of Defense (DOD) Instruction 5100.73.
2. Management Headquarters – Financial Management	This function includes the oversight, direction, and control of subordinate financial management organizations. This function is typically performed by OSD; the Joint Staff; Defense Finance and Accounting Service headquarters; the management headquarters of other defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters activities identified in DOD Instruction 5100.73. This includes conducting mid- and long-range planning, programming, and budgeting; developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and allocating and distributing resources.

<sup>1</sup>These headquarters-related DOD function code descriptions are taken from DOD’s fiscal year 2014 guidance for compiling the IGCA Inventory submissions. See OSD, 2014 *Inherently Governmental and Commercial Activities Inventory Data Call*, memorandum (Dec. 2, 2013).

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
3. Management Headquarters – Advocacy	This function includes conducting advocacy missions as specified in the Unified Command Plan, to include advocating on behalf of the other combatant commanders. Associated advocacy functions include: identifying capability gaps across all combatant commands; participating in requirement definition analytic efforts and processes; exploring/analyzing future concepts; prioritizing potential solutions; conducting cost/benefit analysis; recommending future investment strategies; and developing required combatant command Planning, Programming, Budgeting and Execution products. Tasks require routine interface with Joint Staff, services, agencies, capability portfolio managers, and command components and other combatant commands. This function is typically performed by OSD; the Joint Staff; the combatant headquarters; military department management headquarters; and other DOD management headquarters identified in DOD Instruction 5100.73.
4. Management Headquarters – Audit	This function includes the management of audit programs and/or the oversight, direction, and control of subordinate audit organizations through developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; conducting audits planning, programming, and budgeting; and/or allocating and distributing resources. This function is performed by the Office of the Inspector General, DOD; military department headquarters down to and including the headquarters of all major commands and their equivalent; headquarters of operational military forces down to and including the headquarters of combatant commands; headquarters elements of defense agencies and field activities; and other management headquarters identified in DOD Instruction 5100.73.
5. Management Headquarters – Defense Direction and Policy Integration	This function is generally performed at the highest levels of OSD and the military departments to include offices of the Secretaries and Deputy Secretaries, and those Under and Assistant Secretaries, or special assistants, and select program policy offices involved in defense direction and policy integration. Operations include planning, policy formulation, policy direction of ongoing military activities, and security affairs (e.g., international security affairs, threat reduction and counter-proliferation policy, international negotiations and regional affairs, U.S. bilateral security relations with foreign countries on political-military policy, and Prisoner Of War /Missing Personnel Affairs). This function includes those elements that provide policy integration and direction for multiple functions listed below (e.g., the Under Secretary of Defense for Acquisition, Technology and Logistics). It also includes those elements that perform activities not specifically addressed by other management headquarters functions and that provide defense direction and policy integration (e.g., Assistant Secretary of Defense for Reserve Affairs). This function excludes Management Headquarters – Operation Planning and Control.
6. Management Headquarters – Joint Staff Direction of the Armed Forces	This function includes assisting the President, National Security Council, and Secretary of Defense with decisions concerning the strategic direction of the armed forces (including the direction of operations conducted by the commanders of the unified and specified combatant commands). It also includes exercising exclusive direction of the Joint Staff and acting as spokesman for the commanders of the combatant commands, especially on the operational requirements of their commands, and overseeing the activities of the combatant commands. This also includes preparing strategic and contingency plans; assessments of critical deficiencies and strengths of the armed forces; advice on requirements, programs, and budgets; doctrine for the joint employment of the armed forces; policies for joint training; and advice on other matters. <sup>a</sup>

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
7. Management Headquarters – Operation Planning and Control	This function includes oversight, direction and control of subordinate organizations responsible for the evaluation of military forces (e.g., readiness), war plans, military strategies, development planning, emergency preparedness, and mobilization planning. This includes developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating performance; conducting or reviewing mid- and long-range planning, programming, and budgeting; and allocating resources. It typically includes oversight and approval of mission analyses and materiel requirements; analysis of the utilization of military resources; and assessments of those infrastructure operations that directly relate to operational planning and control to include strategic and business planning. This function is typically performed by OSD; the Joint Staff; the combatant headquarters; military department management headquarters; and other DOD management headquarters identified in DOD Instruction 5100.73.
8. Management Headquarters – Manpower Management	This function includes oversight, direction, and control of subordinate manpower offices and centers through developing and issuing manpower management policies; providing policy guidance; reviewing and evaluating program performance; and conducting or reviewing mid- and long-range planning, programming, and budgeting. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73.
9. Management Headquarters – Foreign Military Sales and Security Assistance	This function includes the oversight, direction, and control of security assistance programs that provide defense articles, military training, and other defense-related services, by grant, credit, cash, sale, lease, or loan. This includes foreign military sales, peacekeeping operations, presidential draw-downs, co-production programs, transfer of U.S. technology, and the international military education and training program. This function is typically performed by OSD; the Joint Staff; and military department headquarters down to and including the headquarters of all major commands. This includes developing and issuing security assistance policies and providing policy guidance (e.g., release of U.S. military technology and technical data); reviewing and evaluating program performance; and conducting mid- and long-range planning programming and budgeting for security assistance programs.
10. Management Headquarters – Legal Services	This function includes oversight, management, and control of legal programs and/or subordinate legal offices. Legal services include, but are not limited to, providing legal advice to or on behalf of senior departmental officials; developing, issuing, and defending legal policies and providing policy guidance; reviewing, analyzing, and evaluating program performance; allocating and distributing resources; and conducting or reviewing mid- and long-range planning, programming, and budgeting. DOD Instruction 5100.73 defines the commands authorized to use this function.
11. Management Headquarters – Public Affairs	This function includes oversight, direction, and control of the respective public information, command/internal information, and community relations programs. Functional objectives are achieved through the development and issuance of programmatic policy and policy guidance; oversight, review, and evaluation of program performance of subordinate organizations; allocation and distribution of resources; and mid- and long-range planning, programming, and budgeting. This function includes providing advice and counsel to respective senior leadership and staff and subordinate public affairs activities and operations in formulating decisions, policies, and positions regarding public affairs issues and issue management. This function also includes serving as the official spokesperson at the respective organizational level on public issues and interests. Public affairs deals with issues of public interest and communicating with and informing the internal DOD and external publics on those issues. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73. It also excludes oversight of legislative liaison work performed as part of Management Headquarters – Legislative Affairs.

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
12. Management Headquarters – Visual Information	This function includes the oversight, direction, and control of the visual information and combat camera programs. Functional objectives are achieved through the development and issuance of programmatic policy and policy guidance for visual information and combat camera programs; oversight, review, and evaluation of program performance of subordinate organizations; allocation and distribution of resources; and mid- and long-range planning, programming, and budgeting. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73.
13. Management Headquarters – Legislative Affairs	This function includes the oversight and management of the DOD legislative program; arrangement for witnesses and testimony at congressional hearings; coordination of responses to congressional inquiries; DOD support of congressional travel; arrangements for security clearances for members of congressional staffs; and internal coordination of departmental transcripts. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73.
14. Management Headquarters – Historical Affairs	This function includes the oversight, direction, and control of historical and museum program operations and subordinate offices and museums through developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and conducting or reviewing mid- and long-range planning, programming, and budgeting. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73.
15. Management Headquarters – Administrative Support and Federal Compliance	This function includes the oversight, direction, and control of administrative support programs, statutory programs (e.g., the Freedom of Information Program, Defense Privacy Program, and Federal Voting Assistance Program) and subordinate offices, centers, and libraries. This includes establishing policies, procedures, and practices to ensure compliance with federal guidelines (e.g., compliance with the Paperwork Reduction Act and the Administrative Procedures Act); providing guidance on program implementation; analyzing, evaluating, and reviewing performance; and where mandated, submission of statutory reports. This includes oversight of federal compliance of administrative programs, administrative management and correspondence services; documentation services; directives and records management services; microfilming and library services; printing and reproduction services; and document automation and production services. This function is performed by major DOD headquarters activities identified in DOD Instruction 5100.73.
16. Management Headquarters – Health Services	This function includes overseeing, directing, and controlling health service programs and subordinate health service organizations (hospitals, health clinics and dispensaries). This function is performed by OSD; the TRICARE Management Activity, <sup>b</sup> service headquarters; and lead agents (i.e., tri-service regional management agents). Management headquarters operations include developing and issuing policies and providing policy guidance; reviewing and evaluating program performance; allocating and distributing resources; and conducting mid- and long-range planning, programming, and budgeting.
17. Management Headquarters – Installations	This function includes oversight, direction, and control of subordinate organizations through developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and conducting mid- and long-range planning. This function is typically performed by OSD; the Joint Staff; the management headquarters of defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters as defined in DOD Instruction 5100.73.

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
18. Management Headquarters – Environmental Security	This function includes overseeing, directing, and controlling programs and subordinate organizations concerned with one or more of the following areas: environmental management; safety and occupational health; explosives safety; hazardous materiel; and pest management. This function is performed by OSD; the Joint Staff; management headquarters of the defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters activities as defined in DOD Instruction 5100.73. This includes conducting mid- and long-range planning, programming, and budgeting; developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and allocating and distributing resources.
19. Management Headquarters – Civil Works	This function includes oversight, direction, and control of the nation's water and related environmental resources, civil work projects and programs, and/or subordinate civil works management offices. The headquarters civil works management function is performed by the U.S. Army Corps of Engineers and the Corps district and division offices. This function includes developing and issuing civil works policies and providing policy guidance; reviewing and evaluating program performance of subordinate organizations; allocating and distributing resources; or conducting mid- and long-range planning, programming, and budgeting for civil works activities.
20. Management Headquarters – Logistics	This function includes the oversight, direction, and control of subordinate logistics offices and agencies through developing and issuing logistics policies and providing policy guidance; reviewing, analyzing, and evaluating performance (e.g., logistics systems reinvention and modernization); and conducting mid- and long-range planning. The management headquarters logistics function is performed by OSD; the Joint Staff; Defense Logistics Agency headquarters; other defense agency and field activity headquarters; combatant headquarters; military department headquarters down to and including the headquarters of all major commands; and other management headquarters as defined in DOD Instruction 5100.73. This function excludes Management Headquarters – Maintenance; Management Headquarters – Supply; and Management Headquarters – Transportation.
21. Management Headquarters – Maintenance	This function includes the oversight, direction, and control of subordinate maintenance offices, agencies, and depots. The management headquarters maintenance function is typically performed by OSD; the Joint Staff; Defense Logistics Agency headquarters; other defense agency and field activity headquarters; combatant headquarters; military department headquarters down to and including the headquarters of all major commands; and other management headquarters as defined in DOD Instruction 5100.73. This includes developing and issuing maintenance policies and providing policy guidance; reviewing, analyzing, and evaluating performance; and conducting mid- and long-range planning.
22. Management Headquarters – Supply	This function includes managing supply programs and/or overseeing, directing, and controlling subordinate supply organizations through developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and conducting mid- and long-range planning. The management headquarters supply function is typically performed by OSD; the Joint Staff; the management headquarters of defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters as defined in DOD Instruction 5100.73.

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
23. Management Headquarters – Transportation	This function includes overseeing, directing, and controlling transportation programs and subordinate organizations. This function is typically performed by OSD; U.S. Transportation Command and its component command headquarters; management headquarters for defense agencies and field activities; military department management headquarters; and other management headquarters as defined in DOD Instruction 5100.73. This includes conducting mid- and long-range planning, programming, and budgeting; developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and allocating and distributing resources.
24. Management Headquarters – Civilian Personnel	This function includes the oversight, direction, and control of civilian personnel programs and/or subordinate civilian personnel offices (e.g., customer support units and service centers). The management headquarters civilian personnel function is typically performed by OSD; the management headquarters of defense agencies and DOD field activities; military department management headquarters down to and including the headquarters of all major commands and their equivalent; and other management headquarters activities as defined in DOD Instruction 5100.73. Management headquarters civilian personnel operations typically include development, issuance, and defense of civilian personnel policies; providing policy guidance; reviewing and evaluating program performance; and conducting mid- and long-range planning.
25. Management Headquarters – Military Personnel	This function includes oversight, direction, and control of subordinate military personnel offices (e.g., military personnel field operating agencies and recruitment centers). The headquarters military personnel management function is typically performed by OSD; the Joint Staff; military department headquarters down to and including the headquarters of all major commands; and other management headquarters activities as defined in DOD Instruction 5100.73. Management headquarters military personnel operations typically include developing and issuing military personnel policies (e.g., compensation, retention, and accession policy) and providing policy guidance; reviewing and evaluating program performance (e.g., officer and enlisted personnel management and recruiting and examining programs); and conducting mid- and long-range planning.
26. Management Headquarters – Personnel Social Action Programs	This function includes oversight, direction, and control of personnel social action programs (such as equal employment opportunity, affirmative employment, and race relations programs) and subordinate offices and centers. Management headquarters personnel advocacy operations typically include development and issuance of policies; providing policy guidance; reviewing and evaluating program performance; and conducting mid- and long-range planning. This function is typically performed by OSD (e.g., Deputy Assistant Secretary of Defense for Equal Opportunity and the Defense Advisory Committee on Women in the Services); management headquarters of defense agencies and field activities; military department management headquarters down to and including the headquarters of all major commands and their equivalent; and other management headquarters activities as defined in DOD Instruction 5100.73.
27. Management Headquarters – Community and Family Services	This function includes oversight and direction of family service programs; child care and youth programs; Morale, Welfare, and Recreation programs; and related nonappropriated fund instrumentalities. As part of the management headquarters, centrally-managed Morale, Welfare, and Recreation functions are provided that either support service-level nonappropriated fund instrumentalities, or provide consolidated support for field activities. (For example, the military services manage central nonappropriated fund contract services for field activities, central investment of nonappropriated funds, centrally managed insurance and human resource programs for nonappropriated funds, and centrally managed information technology functions. Most of the personnel involved in these central functions are paid by nonappropriated funds.)

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**Appendix II: Descriptions of Headquarters-Related Department of Defense Function Codes**

<b>Headquarters function</b>	<b>Description of function</b>
28. Management Headquarters – Military Education and Training	This function includes overseeing, directing, and controlling education and training programs and/or subordinate education and training establishments (schools, institutions, academies, colleges, and universities). Education and training management functions are typically performed by OSD; service management headquarters; the Joint Staff; and service training commands. This includes developing and issuing policies and providing policy guidance; reviewing and evaluating performance; allocating and distributing resources; and conducting mid- and long-range planning.
29. Management Headquarters – Civilian Education and Training	This function includes oversight, direction, and control of training, education, and developmental programs and/or subordinate organizations. This training and education is primarily provided to DOD civilian personnel but may also be provided to military, contractor, dependent, or foreign national personnel, <sup>c</sup> or other federal, state, or local government employees. Management functions include planning, programming, budgeting, policy issuance, policy development, and quality assurance. This management function is performed by OSD and other DOD management headquarters organizations identified in DOD Instruction 5100.73.
30. Management Headquarters – Dependent Education	This function includes oversight, direction, and management of dependent education. This education is provided to dependents of DOD personnel but may also be provided to eligible dependents of other federal agencies and vendors under DOD contract. Management functions include planning, programming, budgeting, and establishing policy and curriculum.
31. Management Headquarters – Systems Acquisition	This function includes the oversight, direction, and control of acquisition programs and subordinate defense acquisition organizations and centers by developing and issuing policies; providing policy guidance (e.g., guidance on technology transfer, international cooperative programs, and industrial capabilities assessments); reviewing, analyzing, and evaluating program performance; allocating and distributing resources; and, mid- and long-range planning, programming, and budgeting. This function is performed by OSD; the Joint Staff; the management headquarters of defense agencies and field activities; military department management headquarters; and other management headquarters activities identified in DOD Instruction 5100.73. This includes work performed by Milestone Decision Authorities, Program Executive Officers, and other executives concerned with the review and approval of acquisition programs. It also includes acquisition reform and other operations essential to the systems acquisition process.
32. Management Headquarters – Test and Evaluation	This function includes the oversight, direction, and control of test and evaluation programs and subordinate defense acquisition organizations and centers. The management headquarters test and evaluation function is typically performed by OSD; military department management headquarters; and other management headquarters activities identified in DOD Instruction 5100.73. This includes developing and issuing policies; providing policy guidance; and, reviewing, analyzing, and evaluating program performance.
33. Management Headquarters – Procurement and Contracting	This function includes the oversight and direction of procurement and contracting organizations through developing policies; providing policy guidance; and, reviewing and analyzing solicitations and/or contracts. This also includes recommending and/or directing the acquisition process for the negotiation, award, and administration of contracts. The management headquarters procurement and contracting function is performed by OSD; the Joint Staff; the management headquarters of defense agencies and field activities; combatant headquarters; military department management headquarters; and other management headquarters identified in DOD Instruction 5100.73.

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**Appendix II: Descriptions of Headquarters-  
Related Department of Defense Function  
Codes**

<b>Headquarters function</b>	<b>Description of function</b>
34. Management Headquarters – Research and Development	This function includes the oversight, direction, and control of research and development programs and subordinate organizations, centers, and laboratories involved in research and development. This function is performed by OSD; military department management headquarters; and other management headquarters activities identified in DOD Instruction 5100.73. This includes conducting mid- and long-range planning, programming, and budgeting; developing and issuing policies; providing policy guidance; reviewing, analyzing, and evaluating program performance; and allocating and distributing resources for science and technology.
35. Management Headquarters – Intelligence	This function includes oversight, direction, and control of subordinate organizations or units through developing and issuing guidance; reviewing and evaluating program performance; planning and conducting exercises; allocating and distributing resources; and conducting mid- and long-range planning, programming, and budgeting.
36. Combatant Headquarters – Combatant Commander Command Authority	This function includes overseeing, directing, and controlling the planning for employment of global or theatre-level U.S. military forces at the combatant command headquarters level (e.g., Central Command headquarters, European Command headquarters, Pacific Command headquarters, and Southern Command headquarters) as defined by DOD Instruction 5100.73. This includes the nontransferable command authority exercised only by the combatant commanders of unified and specified combatant commands, and direct staff support when the support is inherent to the command process. <sup>d</sup> This includes planning, directing, and controlling joint and combined military operations; and evaluations of military forces, plans, programs, and strategies and force structure requirements. Support functions that are separately identifiable and severable are coded using the appropriate support function code.
37. Combatant Headquarters – Military Department Command Authority	This function includes overseeing, directing, and controlling the planning for, and the employment of, global or theatre-level forces at the military department combatant headquarters level (e.g., U.S. Army Europe headquarters, U.S. Air Forces in Europe headquarters, and U.S. Naval Forces Europe headquarters) as defined in DOD Instruction 5100.73. This includes command authority exercised by the commanders of the component command headquarters of the military services within the combatant commands and the headquarters of the Navy type commands and Fleet Marine Forces. Support functions that are separately identifiable and severable are coded using the appropriate support function code.
38. Combatant Headquarters – Information Operations	This function includes planning and executing information operations, both offensive and defensive, involving the integrated use of operations security, psychological operations, military deception, electronic warfare, and computer network attack / computer network defense.

Source: GAO analysis of DOD information. | GAO-16-286

<sup>a</sup>10 U.S.C. § 153.

<sup>b</sup>The TRICARE Management Activity was disestablished in October 2013 and replaced by the Defense Health Agency.

<sup>c</sup>Neither contractors nor foreign national hires were included in our analysis.

<sup>d</sup>10 U.S.C. § 164.

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# Appendix III: Objectives, Scope, and Methodology

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House Report 113-446<sup>1</sup> and Senate Report 113-176<sup>2</sup> included provisions that we, among other things, identify the Department of Defense's (DOD) headquarters reduction efforts to date and any trends in personnel and other resources being devoted to selected functional areas within and across related organizations. This report (1) describes the status of DOD's initiatives since 2014 to improve the efficiency of headquarters organizations and identify related cost savings; and (2) assesses the extent to which DOD has reliable data to assess headquarters functions and their associated costs.

To describe the status of DOD's initiatives to improve the efficiency of headquarters organizations and identify related cost savings, we identified and reviewed DOD headquarters-related efficiency efforts begun since 2014.<sup>3</sup> We obtained documentary and testimonial evidence from senior officials in the Office of the Deputy Chief Management Officer to determine the scope and status of these headquarters-related efficiency efforts and what actions, if any, DOD has taken as a result of the efforts.

To assess the extent to which DOD has reliable data to assess headquarters functions and their associated costs, we took two main steps.

- First, we identified and reviewed DOD-wide sources of information that would provide data on the department's workforce in terms of whether the workforce is performing headquarters work and the specific headquarters functions that workforce is performing. We

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<sup>1</sup>H.R. Rep. No. 113-446 (2014) accompanying H.R. 4435, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015.

<sup>2</sup>S. Rep. No. 113-176 (2014) accompanying S. 2410, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015.

<sup>3</sup>We chose 2014 to address any headquarters-related efficiency efforts completed since the issuance of our January 2015 headquarters report, in which we discussed a previous headquarters-related efficiency effort, namely, the effort announced by the Deputy Secretary of Defense in July 2013 to implement a 20 percent cut in management headquarters spending throughout the department. See GAO, *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of the Secretary of Defense, Joint Staff, and Military Service Secretariats*, GAO-15-10 (Washington, D.C.: Jan. 21, 2015); and Deputy Secretary of Defense, *20% Headquarters Reductions*, memorandum (July 31, 2013).

discussed with officials from the Office of the Deputy Chief Management Officer, the Office of the Under Secretary of Defense for Personnel and Readiness, and the Cost Analysis and Program Evaluation office, and reviewed data from, several department-wide sources, specifically, the Future Years Defense Program,<sup>4</sup> the Defense Manpower Data Center,<sup>5</sup> the Inherently Governmental / Commercial Activities (IGCA) Inventory,<sup>6</sup> and the Inventory of Contracted Services.<sup>7</sup> For this report, we analyzed data and information related to the IGCA Inventory because it was the only DOD-wide data set identified that allowed us to determine the military and civilian workforce—in the form of authorized positions—by both headquarters<sup>8</sup> and function.<sup>9</sup> However, we found that the data in the IGCA Inventory were submitted by the various DOD organizations at different points in a given fiscal year. To ensure that the data would be as close to the end of each fiscal year as possible, we obtained data

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<sup>4</sup>DOD's Future Years Defense Program is the official document and database summarizing forces and resources associated with DOD programs. It consists of thousands of program elements, each of which represents an aggregation of organizational entities and the related resources.

<sup>5</sup>The Defense Manpower Data Center is part of the Department of Defense Human Resources Activity, which is a DOD field activity under the authority, direction, and control of the Office of the Under Secretary of Defense for Personnel and Readiness. The Defense Manpower Data Center is responsible for maintaining a central repository of personnel, manpower, training, financial, and other data for DOD. These data catalogue the history of personnel in the military and their families for purposes of health care, retirement funding, and other administrative needs.

<sup>6</sup>DOD annually compiles the IGCA Inventory, which identifies DOD's military and civilian positions as either commercial or inherently governmental. This activity responds to the requirements of the Federal Activities Inventory Reform Act of 1998, as amended and codified at 31 U.S.C. § 501 note, and OMB Circular A-76 (Revised), *Performance of Commercial Activities* (May 29, 2003).

<sup>7</sup>DOD's Inventory of Contracted Services is an annual inventory of the department's contracted services intended to identify the number of contractors and the functions they perform and to inform certain decision-making processes. (See 10 U.S.C. § 2330a.)

<sup>8</sup>For purposes of this report, we are using the definition of headquarters that is used in the IGCA Inventory. That definition is derived from DOD Instruction 5100.73 and includes positions that involve oversight, direction, and control of subordinate organizations or units.

<sup>9</sup>The IGCA Inventory contains 38 headquarters DOD function codes. Additional information on these function codes can be found in app. II.

from each of the military services' manpower databases<sup>10</sup> used to populate DOD's IGCA Inventory for fiscal years 2010 through 2014,<sup>11</sup> which was the most recent 5-year period available during our review. For each service database, we identified the subset of military and civilian positions considered headquarters according to IGCA guidance.<sup>12</sup> We then analyzed these headquarters positions for each organization and for each fiscal year by number of military and civilian positions, function, grade, and location. We discussed the data, and the reasons for any patterns or changes we observed in them, with military service representatives. DOD was unable to provide similar data for organizations outside the military departments known as the Fourth Estate<sup>13</sup> in time for our review, so we collected data on the Fourth Estate's military and civilian positions directly from the IGCA Inventory for fiscal years 2012 to 2014.<sup>14</sup> We assessed the data we received against federal standards for internal control, which call for

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<sup>10</sup>We analyzed data from the following service manpower databases: Force Management System (Army); Total Force Manpower Management System (Navy); Total Force Structure Management System (Marine Corps); and Manpower Programming and Execution System (Air Force).

<sup>11</sup>We requested the data as they would have appeared in each system on September 30, 2010, 2011, 2012, 2013, and 2014, or the closest date to September 30 based on the system's capability.

<sup>12</sup>Every fiscal year, the Office of the Under Secretary of Defense for Personnel and Readiness issues guidance to the DOD components for compiling the IGCA Inventory. We reviewed the guidance for fiscal years 2010 through 2014. According to this guidance, there are more than 300 DOD function codes that can be assigned to an authorized position in the IGCA Inventory based on the type of work performed in that position. Of these more than 300 DOD function codes, there are 38 with a designation of "management headquarters" or "combatant headquarters" in the title of the code. We used these 38 DOD function codes to identify headquarters positions.

<sup>13</sup>In DOD Instruction 7730.64, *Automated Extracts of Manpower and Unit Organizational Element Files* (Dec. 11, 2004), DOD defines Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense; the defense agencies; DOD field activities; the Office of the DOD Inspector General; the Chairman of the Joint Chiefs of Staff; and the combatant commands.

<sup>14</sup>DOD could not provide the final IGCA Inventories for fiscal years 2010 and 2011 because the complete inventories for those years were not retained following personnel turnover in 2010.

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an agency to have relevant, reliable, and timely information in order to run and control its operations.<sup>15</sup>

- Second, we attempted to calculate the approximate costs of the headquarters positions and associated functions. Because the IGCA Inventory does not contain estimated costs for positions, we used the service databases' pay grade and location information assigned to the military and civilian positions in an attempt to determine the estimated cost to DOD of filling headquarters positions. Specifically, we applied DOD's military composite standard pay rates<sup>16</sup> and civilian fringe benefits rates<sup>17</sup> to the pay grades we had collected for each position identified in the service databases. We were unable to do a similar calculation for the Fourth Estate because Fourth Estate data on positions came from the IGCA Inventory, which does not contain pay grade and location information needed for a cost calculation. We assessed our and DOD's efforts to calculate headquarters-related costs against federal standards for internal control on having relevant, reliable, and timely information, and noted the importance of a key step that we have previously identified for conducting fragmentation, overlap, and duplication reviews.<sup>18</sup> Specifically, one of the steps in conducting such a review is to identify the positive and negative

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<sup>15</sup>See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). These standards were in effect prior to fiscal year 2016 and cover the period when the headquarters data were collected for our review. The standards were subsequently updated. The updated standards went into effect on October 1, 2015. See GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

<sup>16</sup>The military composite standard pay rates are used by DOD when determining the military personnel appropriations cost for budget and management studies. The rates include average basic pay plus retired pay accrual; Medicare-eligible retiree health-care accrual; basic allowances for housing and subsistence; incentive, miscellaneous, and special pays; and permanent change of station expenses. The military composite standard pay rates are calculated in accordance with provisions of Volume 11A, Chapter 6, Appendix I of the DOD Financial Management Regulation (DOD 7000.14R).

<sup>17</sup>Civilian personnel fringe benefit rates are applied to civilian labor costs incurred in support of reimbursable orders, as appropriate. The rate includes benefits such as civilian retirement, postretirement health care, and postretirement life insurance. These rates are to be used when billing other DOD components, federal agencies, and private parties under the requirements of Volume 11A, Chapter 6, Appendix C of the DOD Financial Management Regulation (DOD 7000.14R).

<sup>18</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

effects of any fragmentation, overlap, and duplication by assessing program implementation, outcomes and impact, and cost-effectiveness.

We assessed the reliability of the IGCA-related data sets by reviewing responses to data questionnaires sent to knowledgeable service and Fourth Estate officials, discussing the data with these officials, and conducting our own cross-checks of the data to assess their reasonableness. We found the data to be insufficient for identifying trends in the number and type of headquarters positions and for estimating costs associated with headquarters positions. However, we found the data to be sufficiently reliable for presenting 1 year's worth of data for purposes of illustrating the types of analyses of department-wide headquarters functions that could be conducted if DOD improved the reliability of these data. Finally, we were unable to obtain data on contracted services personnel, either their positions or associated costs, because DOD does not identify contracted services personnel by the type of headquarters function they perform.<sup>19</sup>

We interviewed officials or, where appropriate, obtained documentation from the organizations listed below.

- Office of the Secretary of Defense
  - Office of the Deputy Chief Management Officer
  - Office of Cost Assessment and Program Evaluation
  - Office of the Under Secretary of Defense (Comptroller)
  - Office of the Under Secretary of Defense for Personnel and Readiness

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<sup>19</sup>In March 2012, we reported that the instruction on major DOD headquarters activities does not explicitly address how and to what extent the thousands of contractors who work at headquarters around DOD should be included as part of its major DOD headquarters activity data. We therefore recommended that the department revise the instruction to specify how contractors performing major DOD headquarters activity functions will be identified and included in headquarters reporting. See [GAO-12-345](#). As of November 2015, the department stated it is in the process of establishing a single system that is intended to, among other things, more accurately capture and account for contracted support to major DOD headquarters activities. However, DOD officials did not identify a time frame for including contractors in headquarters reporting. See also GAO, *DOD Inventory of Contracted Services: Actions Needed to Help Ensure Inventory Data Are Complete and Accurate*, [GAO-16-46](#) (Washington, D.C.: Nov. 18, 2015).

- Office of the Under Secretary of Defense for Acquisition, Technology and Logistics
- Joint Staff
  - J1, Manpower and Personnel Directorate
- Department of the Army
  - Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs
  - G1, Office of the Deputy Chief of Staff for Personnel
  - G3/5/7, Operations and Plans
- Department of the Navy
  - U.S. Navy
    - Office of the Assistant Secretary of the Navy for Manpower and Reserve Affairs
    - N1, Office of the Deputy Chief of Naval Operations, Manpower and Personnel
- U.S. Marine Corps
  - Deputy Commandant for Combat Development and Integration, Total Force Structure Division
- Department of the Air Force
  - A1, Office of the Deputy Chief of Staff for Personnel
- Combatant Commands
  - U.S. Africa Command
  - U.S. Central Command
  - U.S. European Command
  - U.S. Northern Command
  - U.S. Pacific Command
  - U.S. Southern Command
  - U.S. Special Operations Command
  - U.S. Strategic Command
  - U.S. Transportation Command
- Defense Agencies / DOD Field Activities
  - Defense Acquisition University

- Defense Advanced Research Projects Agency
- Defense Commissary Agency
- Defense Contract Audit Agency
- Defense Contract Management Agency
- Defense Finance and Accounting Service
- Defense Health Agency
- Defense Human Resource Activity
- Defense Information Systems Agency
- Defense Legal Services Agency
- Defense Logistics Agency
- Defense Media Activity
- Defense POW/MIA Accounting Agency
- Defense Security Cooperation Agency
- Defense Security Service
- Defense Technical Information Center
- Defense Technology Security Administration
- Defense Threat Reduction Agency
- Department of Defense Education Activity
- Department of Defense Inspector General
- Missile Defense Agency
- National Defense University
- Office of Economic Adjustment
- Pentagon Force Protection Agency
- Test Resource Management Center
- Washington Headquarters Services

We conducted this performance audit from January 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix IV: Department of Defense Headquarters-Related Reduction Efforts to Realize Cost Savings Since 2010

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Department of Defense (DOD) officials identified the following efforts initiated between 2010 and 2014 to realize cost savings related to headquarters.

- In a May 2010 speech,<sup>1</sup> the Secretary of Defense expressed concerns about the dramatic growth in DOD's headquarters and support organizations that had occurred since 2001, including increases in spending, staff, and numbers of senior executives and the proliferation of management layers. The Secretary of Defense then directed that DOD was to undertake a department-wide initiative to assess how the department is staffed, organized, and operated, with the goal of reducing excess overhead costs and reinvesting these savings toward sustainment of DOD's current force structure and modernizing its weapons portfolio.
- In March 2012, DOD identified additional efficiency initiatives, referred to as More Disciplined Use of Resources initiatives, in its fiscal year 2013 budget request. DOD identified additional More Disciplined Use of Resources initiatives for the fiscal year 2014 budget in April 2013. According to information accompanying its fiscal years 2013 and 2014 budget requests, DOD identified these initiatives by conducting a review of bureaucratic structures, business practices, modernization programs, civilian and military personnel levels, and associated overhead costs.
- In March 2013, the Secretary of Defense directed the completion of a Strategic Choices Management Review to examine the potential effect of additional, anticipated budget reductions on the department and to develop options for performing DOD missions. According to the Secretary, a tenet of the review was the need to maximize savings from reducing DOD's overhead, administrative costs, and other institutional expenses.
- In July 2013, the Secretary of Defense set a target for reducing DOD components' total management headquarters budgets by 20 percent for fiscal years 2014 through 2019, including costs for civilian personnel and contracted services, while striving for a goal of 20 percent reductions to authorized military and civilian personnel. This effort was designed to streamline DOD's management of its

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<sup>1</sup> Secretary of Defense Robert M. Gates, *Defense Spending*, speech at the Eisenhower Library, Abilene, Kansas, May 8, 2010.

headquarters through efficiencies and elimination of spending on lower-priority activities.

- In August 2013, the Secretary and Deputy Secretary of Defense directed an organizational review of the Office of the Secretary of Defense, consistent with the Strategic Choices and Management Review, that was intended to assess and recommend specific adjustments to OSD's organizational structure. The review resulted in several organizational alignments, such as realigning another office to the Office of the Deputy Chief Management Officer structure, and contributed to the 20 percent headquarters reductions that were captured in DOD's fiscal year 2015 budget request.

# Appendix V: Percentages of Department of Defense Headquarters Functions for Fiscal Year 2014

This appendix provides our analysis showing the five headquarters functions, in each military service and Fourth Estate component, with the highest number of headquarters positions for fiscal year 2014. Based on our review of the data and discussions with service officials, fiscal year 2014 data is the most reliable data available during the period of our review.

## Military Services

The military services are the Army; the Navy; the Marine Corps; and the Air Force. To help meet their respective missions, each military service has both operational and nonoperational headquarters organizations. See table 2 for the percentage of the military services' headquarters positions by headquarters function for fiscal year 2014.

**Table 2: Percentage of Service Headquarters Positions by Headquarters Function for Fiscal Year 2014**

Military service	Headquarters function <sup>a</sup>	Fiscal Year 2014 (percent)
Army	Operation Planning and Control	23.2
	Military Personnel	17.4
	Communications, Computing, and Information	6.7
	Financial Management	5.4
	Intelligence	5.4
Navy	Operation Planning and Control	9.9
	Communications, Computing, and Information	9.8
	Financial Management	8.6
	Military Department Command Authority	7.7
	Supply	6.2
Marine Corps	Systems Acquisition	29.6
	Military Education and Training	13.5
	Operation Planning and Control	8.8
	Combatant Commander Command Authority	8.1
	Installations	6.5
Air Force	Operation Planning and Control	27.9
	Military Department Command Authority	8.5
	Communications, Computing, and Information	5.7
	Financial Management	5.1
	Administrative Support and Federal Compliance	5.1

Source: GAO analysis of Department of Defense (DOD) information. | GAO-16-286

<sup>a</sup>For a description of each headquarters-related function, see app. II.

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## Fourth Estate

The Fourth Estate is made up of the Department of Defense (DOD) organizations that are separate from the military services.<sup>1</sup> Our review focused on four organizational components that make up the Fourth Estate: (1) the Office of the Secretary of Defense; (2) the Joint Staff, including the North Atlantic Treaty Organization;<sup>2</sup> (3) the combatant commands; and (4) defense agencies and DOD field activities.<sup>3</sup> See table 3 for the percentage of Fourth Estate headquarters positions by headquarters function for fiscal year 2014.

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**Table 3: Percentage of Fourth Estate Headquarters Positions by Headquarters Function for Fiscal Year 2014**

<b>Fourth estate component</b>	<b>Headquarters function<sup>a</sup></b>	<b>Fiscal Year 2014 (percent)</b>
Office of the Secretary of Defense	Defense Direction and Policy Integration	37.7
	Financial Management	16.4
	Systems Acquisition	8.1
	Communications, Computing, and Information	6.0
	Operation Planning and Control	5.7
Joint Staff	Operation Planning and Control	48.6
	Joint Staff Direction of the Armed Forces	12.9
	Administrative Support and Federal Compliance	8.3
	Communications, Computing, and Information	7.1
	Logistics	4.4

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<sup>1</sup>In DOD Instruction 7730.64, *Automated Extracts of Manpower and Unit Organizational Element Files* (Dec. 11, 2004), DOD defines Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense; the defense agencies; DOD field activities; the Office of the DOD Inspector General; the Chairman of the Joint Chiefs of Staff; and the combatant commands.

<sup>2</sup>For the purposes of this review, the Joint Staff data also include North Atlantic Treaty Organization support positions, as this is how the data are grouped in the Inherently Governmental / Commercial Activities (IGCA) Inventory, from which we obtained the Fourth Estate data.

<sup>3</sup>Defense agencies and DOD field activities are responsible for performing supply or service activities common to more than one military department. See 10 U.S.C. § 101. There are 13 defense agencies and 9 DOD field activities that had positions with headquarters-related DOD function codes in the IGCA Inventory for fiscal year 2014. The other defense agencies or DOD field activities did not have positions with headquarters-related DOD function codes listed in the IGCA Inventories for fiscal year 2014.

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**Appendix V: Percentages of Department of Defense Headquarters Functions for Fiscal Year 2014**

<b>Fourth estate component</b>	<b>Headquarters function<sup>a</sup></b>	<b>Fiscal Year 2014 (percent)</b>
Defense Agencies and DOD Field Activities	Procurement and Contracting	20.7
	Logistics	17.6
	Communications, Computing, and Information	15.4
	Financial Management	5.5
	Civilian Personnel	5.1
Combatant Commands	Combatant Commander Command Authority	47.0
	Communications, Computing, and Information	8.1
	Military Department Command Authority	6.7
	Intelligence	6.0
	Operation Planning and Control	5.8

Source: GAO analysis of Department of Defense (DOD) information. | GAO-16-286

<sup>a</sup>For a description of each headquarters-related function, see app. II.

# Appendix VI: Comments from the Department of Defense



MANPOWER AND  
RESERVE AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

JUN 21 2016

Mr. John Pendleton  
Director, Defense Capabilities Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington DC 20548

Dear Mr. Pendleton,

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-16-286, 'DEFENSE HEADQUARTERS: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function,' dated May 20, 2016 (GAO Code 351992).

The Department appreciates the GAO's work on this engagement, as well as the opportunity to review and comment on this draft report. The Department remains committed to continuing and where necessary, improving its oversight and accountability of the manpower/personnel, fiscal resources, and workload associated with major DoD headquarters activities (MHA). As part of ongoing efforts to re-baseline MHA and achieve the statutorily directed reductions to those activities, the Department continues to explore opportunities for consolidating and streamlining administrative and support activities.

The below constitutes the Department's response to the GAO's recommendations.

**RECOMMENDATION:** To further DOD's efforts to identify opportunities for more efficient use of headquarters-related resources, we recommend that the Secretary of Defense direct the Deputy Chief Management Officer, in coordination with the Under Secretary of Defense for Personnel and Readiness, the Chairman of the Joint Chiefs of Staff, the Secretaries of the military departments, and the heads of the defense agencies and DOD field activities, to take the following two actions:

- Align DOD's data on department-wide military and civilian positions that have headquarters-related DOD function codes with the revised definition of major DOD headquarters activities in order to provide the department with reliable data to accurately assess headquarters functions and identify opportunities for streamlining or further analysis, and
- Once this definition is published in DoD guidance, collect reliable information on the costs associated with functions within headquarters organizations – through revisions to the [Inherently Governmental Commercial Activities] IGCA Inventory or another

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**Appendix VI: Comments from the Department  
of Defense**

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method – in order to provide the Department with detailed information or use in estimating resources associated with specific headquarters functions, and in making decisions, monitoring performance, and allocating resources.

**RESPONSE:** The Department concurs with these recommendations. We are currently updating MHA civilian and military manpower and total obligation authority (TOA) baselines to align with the new MHA definition and framework, to include updating data architecture for coding MHA, by program element code, in the Future Years Defense Program. This data architecture will serve as the authoritative methodology to account for MHA manpower and resources in the future. Once those efforts are complete and the new framework is codified in an update to DoD Instruction 5100.73, the Department will determine how best to align the function code taxonomy, which is the source of data for the IGCA Inventory, with the revised framework and definitions. In addition, the updated MHA data architecture will enable the Department to collect consistent, comprehensive, and authoritative information on the costs associated with MHA.

Should you have any questions, please contact my primary action officer for this engagement, Mr. Thomas Hessel at 703-697-3402 or [thomas.j.hessel.civ@mail.mil](mailto:thomas.j.hessel.civ@mail.mil).

Sincerely,



Rich Robbins  
Director, Total Force Planning &  
Requirements

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# Appendix VII: GAO Contact and Staff Acknowledgments

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## GAO Contact

John H. Pendleton, 202-512-3489 or [pendletonj@gao.gov](mailto:pendletonj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Margaret A. Best (Assistant Director), Tracy Barnes, Timothy Carr, Gabrielle A. Carrington, Cynthia Grant, Mae Jones, Bethann E. Ritter Snyder, Benjamin Sclafani, Michael Silver, Amie Lesser, and Melissa Wohlgemuth made key contributions to this report.

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Automated answering system: (800) 424-5454 or (202) 512-7470

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## Congressional Relations

Katherine Siggerud, Managing Director, [siggerudk@gao.gov](mailto:siggerudk@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

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## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
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